

Rating Rationale

Brickwork Ratings assigns ratings for the Bank Loan facilities aggregating ₹ 32 Cr of Aanchal Ispat Limited.

Brickwork Ratings has assigned the following **Rating¹** for the proposed Bank Credit facilities to be availed by Aanchal Ispat Limited ('AIL' or the 'Company').

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Cash Credit	27.00	Long Term	BWR BB (Pronounced BWR Double B) (Outlook: Stable)
Non - Fund Based ILC/FLC (Sub Limit of Cash Credit)	(5.00)	Short Term	BWR A4 + (Pronounced BWR A Four Plus)
Non - Fund Based ILC/FLC	5.00		
Total	32.00	INR Thirty Two Crores Only	

BWR has essentially relied upon the audited financial results of FY12, FY13, FY 14 and FY15, projections for FY16, publicly available information and the information/clarification provided by the Company. The rating, inter alia, has factored in the established presence of the Company since 1996 in the same line of business, experience of management and directors, healthy net worth due to infusion of capital, low gearing ratio and consistent sale growth and moderate Capacity utilization. However the rating is constrained by low profitability due to nature of business, elongated working capital cycle and the inherent nature of the industry in which the Company is operating.

Company Profile:

Aanchal Ispat Limited, earlier known as Vinita Projects Private Limited was incorporated in 1996 and was taken over by Aanchal Group in 2009 and the name was changed to Aanchal Ispat Private Limited. Later in August, 2014 the Company was converted as limited company and in December 2014, the company was listed on BSE on SME platform. The Company is engaged in the manufacturing of structural steel products and TMT bars under the brand name of 'Relicon'. The Company is also engaged in the trading of Cement and Billets.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Apart from Aanchal Ispat Limited, the Group Consists of Aanchal Cement Limited, Aanchal Collection Limited, Pratik Suppliers Private Limited and Maina Securities Private Limited. The management activity of the group companies are also looked after by the directors of the Aanchal Ispat Limited.

Management:

The management is led by managing director – Mr. Mukesh Goel, B.com by qualification, having more than two decades of business experience and is equally supported by other directors of the Company. The majority of the share holdings i.e. 61.22 percent is by the promoters & promoters group whereas 38.38 percent is for public trading.

Financial Performance:

The Company posted a total operating income of Rs.133.07 Cr in FY 15 as against 118.28 Cr in FY 14 showing a increment of 13 %. It has reported a operating profit of 0.39 Cr in FY 15 as compared to 0.77 Cr in FY due to high operating expenses made on IPO launching and in increasing authorized capital. The Company has posted a tangible net worth of 39.20 Cr in FY15 as compared to 22.98 Cr in FY14 due to infusion of 16 Cr of share capital. However, it is a matter of concern for the present that the receivables position has spiked by nearly Rs.19 Cr as at march’15. Also noteworthy is that the traded goods sales has significantly come down during the FY15, perhaps indicating a change of strategy by the Company.

The Gearing of Company has reduced to 0.60 times in FY 15 as compared to 1.23 times in FY 14, as a result of capital infusion.

Rating Outlook:

The rating outlook is expected to be stable in the near term. Going forward, ability to increase its scale of operations, achieve projected financials, improve profitability and cash flow, streamlining the receivables shall remain key rating sensitivities for the Company.

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