

Rating Rationale

Brickwork Ratings upgrades long term rating to 'BWR BB+' (Stable) from BWR BB (Stable) and reaffirms 'BWR A4+' as the short term rating for the Bank Loan facilities aggregating ₹ 42.00 Cr of Aanchal Ispat Limited.

Brickwork Ratings (BWR) has upgraded the long term **Rating**¹ and has reaffirmed the short term rating for the aggregated Bank Loan facilities of Rs. 42.00 Crores of Aanchal Ispat Limited (AIL or 'the Company') as follows :

Facility	Amount in Crores		Tenure	Present Rating	Previous Rating (June 2015)
	Previous Limits	Present Limits			
Fund Based Cash Credit	27.00	32.00	Long Term	Upgraded to BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable	BWR BB (Pronounced BWR Double B) Outlook: Stable
Non Fund Based ILC/FLC (Sub-Limit of Cash Credit) ILC/FLC	(5.00) 5.00	(5.00) 10.00	Short Term	Reaffirmed at BWR A4+ (Pronounced BWR A Four Plus)	BWR A4+ (Pronounced BWR A Four Plus)
Total	32.00	42.00	INR Forty Two Crores only		

BWR has essentially relied upon the audited financial results of AIL upto FY16, projected financial statements for FY17 and FY18, publicly available information and information/clarifications provided by the management of the Company.

The ratings draw strength from the extensive experience of the promoters in the iron & steel industry, improvement in capacity utilization, expansion of customer base and comfortable gearing levels. The rating is, however, constrained by relatively moderate scale of operations, low profit margins and cash accruals, cyclical nature inherent in the steel industry, working capital intensive nature of operations, stiff competition, and the vulnerability of the Company's profitability to fluctuation in raw material prices. During FY16, the growth in Sales was mainly driven by trading activities.

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

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

the manufacturing of structural steel products and TMT bars under the brand “Relicon”. The Company is also engaged in the trading of Cement and Billets.

Apart from Aanchal Ispat Limited, the Group consists of Aanchal Cement Limited, Aanchal Collection Limited, Pratik Suppliers Private Limited, Penguin Creation Pvt Ltd and Maina Securities Private Limited. The management activity of the group Companies is also looked after by the directors of the Aanchal Ispat Limited.

Management:

Mr. Mukesh Goel is the Managing Director of the Company, having more than two decades of experience in the Iron & Steel industry. Manoj Goel, younger brother of Mukesh Goel, is the Non-Executive Director. Sudhir Kumar Budhia, Mukesh Agarwal and Preetee Agarwal are the independent directors of the Company.

Financial Performance:

As per audited financial statements for FY16, AIL has reported Profit After Tax of Rs. 1.00 Crore on Total Operating Income of Rs. 226.66 Crores. As of 31 March 2016, tangible net worth of the Company stood at Rs. 40.21 Crores.

Further, as per information provided by the Company's management, AIL has achieved turnover of Rs. 65.17 Crores in Q1FY17.

Rating Outlook:

The outlook of the Company is expected to be stable in the near term. Going forward, the Company's ability to improve its scale of operations, profitability and effective management of working capital and volatility in raw material prices shall remain the key rating sensitivities.

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