

Rating Rationale

Aanchal Ispat Limited

29th November, 2017

Brickwork Ratings reaffirms long term rating at 'BWR BB+' (Stable) and short term rating at 'BWR A4+' for the Bank Loan facilities aggregating to Rs. 57.00 Crores of Aanchal Ispat Limited.

Particulars

Facility	Amount in Crores		Tenure	Previous Rating (October 2016)	Present Rating
	Previous Limits	Present Limits			
Fund Based Cash Credit	32.00	45.00	Long Term	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable (Reaffirmed)
Non Fund Based Clean Inward Bills Discounting (CUBD) (Sub-Limit of Cash Credit)	(5.00)	(12.00)	Short Term	BWR A4+ (Pronounced BWR A Four Plus)	BWR A4+ (Pronounced BWR A Four Plus) (Reaffirmed)
ILC/FLC	10.00	12.00			
Total	42.00	57.00	INR Fifty Seven Crores only		

¹ Please refer to BWR website www.brickworkratings.com for definition of the rating assigned.

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

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

The reaffirmation factors in AIL's strong topline growth driven by increase in sales volumes on the back of the automation of its plants. Debottlenecking of production facilities led to increased production capacity. 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 as well as an improved interest cover in FY17.

The rating is, however, constrained by the decline in operating margins and a flat net profit margin in FY17. The ratings is also constrained by the 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.

Going forward the ability of the company to improve its scale of operations and profitability would remain the key rating sensitivities.

Key Rating drivers

Experience of the promoters is around a decade. Revenues is increased from Rs. 226.66 Crs in FY16 to Rs. 279.48 Crs in FY17, Debt equity of the company is 0.95X and networth of Rs. 60.40crs in FY17.

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. The company is listed on BSE on the main board. The Company is engaged in 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 FY17, AIL has reported Profit After Tax of Rs. 1.24 Crore on Total Operating Income of Rs. 279.48 Crores. As of 31 March 2017, tangible net worth of the Company stood at Rs.60.40 Crores (inc. Revaluation Reserves) .

Further, as per information provided by the Company's management, AIL has achieved turnover of Rs. 71.44 Crores in Q1FY17.

Rating Outlook:

BWR believes the Anchal Ispat Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Rating History for the last three years: (including withdrawn/suspended ratings)

Instrument/Facility	Rated Amount in Crs	Current Rating (2017)	Rating History		
			25/10/2016	16/06/15	2014
Fund Based CC	45.00	BWR BB+ (Pronounced BWR BB Plus) (Outlook:Stable) (Reaffirmed)	Upgraded to BWR BB+ (Outlook: Stable)	BWR BB (Outlook: Stable)	Not Rated
Non Fund Based CUBD (sublimit of CC)	(12.00)	BWR A4+ (Pronounced A Four Plus) (Reaffirmed)	Reaffirmed to BWR A4+	BWR A4+	
ILC/FLC	12.00				
Total	57.00	(INR Fifty Seven Crores Only)			

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Manufacturing Sector](#)
- [Approach to Financial Ratios](#)

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Anchal Ispat Limited
Bank Facilities
Annexure I

Facilities	Tenure	Facility Type	Amount Rated (Rs. Crs)*
Cash Credit	Long Term	Fund Based	45.00
CUBD (Sub limit of CC)	Short Term	Non-Fund Based	(12.00)
Derivative/ILC / FLC	Short Term	Non-Fund Based	12.00
Total			57.00

Annexure 11

(Rs. In Crores)

Particulars	FY2016-17	FY2015-16
Net Sales/Revenues	279.48	226.66
EBIDTA	6.55	5.91
PAT	1.24	1.00
Tangible Networth	60.40 (inc. Rev.Reserve)	40.21
Total Debt/TNW	0.95	0.68
Current Ratio	1.54	1.53