

RATING RATIONALE

ANTARCTIC INDUSTRIES LIMITED

Brickwork Ratings reaffirmed long term ratings and short term ratings for the Bank Loan Facilities of ₹ 13.56 Crores of Antarctic Industries Limited.

Particulars :

Facility/ Instrument**	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (Feb, 2019)	Present Rating
<u>Fund Based</u> Cash Credit Limit Term Loan	3.00 1.00	3.00 0.56	Long Term	BWR BB+ Stable Reaffirmed	BWR BB+ Stable Reaffirmed
<u>Non Fund Based</u> FLC/ILC Letter of Guarantee	10.00 0.25	10.00	Short Term	BWR A4+ Reaffirmed	BWR A4+ Reaffirmed
Total	14.25	13.56	INR Thirteen Crores Fifty Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/is provided in Annexure-I

RATING ACTION/OUTLOOK

BWR has reaffirmed the long term rating and short term rating of BWR BB+ Stable and BWR A4+ for bank facilities of Antarctic Industries Limited.

The ratings take into account the extensive experience of the promoter & long track record of business, Support from Group Companies, and Moderate Financial Risk Profile. However the rating is constrained by decline in profitability margins , customer concentration risk ,fluctuation in steel prices and demand.

BWR believes that the business risk profile of Antarctic Industries Limited will be maintained over the medium term. The rating outlook may be revised to Positive if there is a significant

improvement in company revenues and profitability margins . The rating outlook may be revised to 'Negative' if there is any further deterioration in the financial risk profile of the company.

KEY RATING DRIVERS

Credit Strengths:

- 1. Experienced Management and Long track record of business:** The presence of around three decades in the steel industry has enabled the promoters to establish strong relationships with suppliers and customers in the steel industry. The company has a long track record of more than 30 years and has seen many complete business cycles.
- 2. Support from Group Companies :** The continued demand from the Ludhiana Steel Rolling Mills & LSR Forge Private Limited (Sister Companies of Antarctic Industries Limited), together accounting for 99% of AIL's revenues , mitigates the demand side risk of AIL to an extent.
- 3. Moderate Financial Risk Profile :** The company revenues have improved from Rs 88.65 crores in FY18 (Audited) to Rs 127.24 crores in FY19 (Audited). The firm has moderate financial risk profile with low gearing level (TD/TNW) of 0.19 Times due to low borrowings and healthy net worth of Rs 18.46 crores in FY19 (Audited). The company has moderate current ratio of 1.62 Times in FY19 (Audited).

Credit Risks:

- 1. Decline in Profitability Margins:** The company net profit margins have declined from 1.39% in FY18 (Audited) to (0.01%) in FY19 (Audited) due to increase in operating expenses and interest expenses.
- 2. Customer concentration risk ,fluctuation in steel prices and demand:** The company is exposed to customer concentration risk as 99% of its revenues depend on their associate concerns. The profit margins of the company are susceptible to fluctuation in steel prices and as the company is dealing with manufacturing of steel products, any adverse trend in the steel prices would affect the top line of the company. The demand for steel products also remains low during the time of Covid-19 pandemic.

Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone approach for the Company. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, improvement in revenues and profitability margins will be the key rating sensitivities.

Positive : The rating will be upgraded if the company is able to make significant improvement in their revenues and profitability margins.

Negative : The rating will be downgraded if there is any deterioration in the financial risk profile of the company.

LIQUIDITY POSITION : Adequate

The company has associate concerns with the name of Ludhiana Steel Rolling Mills, Trishala Alloys Private Limited, LSR Ispat Private Limited, LSR Forge Private Limited, Aparna Capital Services Limited, Aquarius Steel Mills LLP, Leo Steel Mills LLP, and LSR Special Steels Limited. The company has done sale of alloy & non alloys ingots of Rs 98.00 crores, and purchase of Rs 8.15 crores in FY19 (Audited) with Ludhiana Steel & Rolling Mills. The company has done sale of scrap of Rs 6.36 crores and Purchase of Rs 3.35 crores with Trishala Alloys Private Limited in FY19 (Audited), and Sales of Alloy & Non Alloy Ingots of Rs 22.36 crores, and purchase of scrap of Rs 3.13 crores in FY19 (Audited).

The company has cash & bank balances of Rs 2.20 crores in FY19 (Audited). The company has an average utilisation of 64% of their Cash Credit Limits from the last six months. The company has a long term debt of Rs 0.85 crores in FY 19 (Audited) which comprises of term loan of Rs 0.54 crores, & car loan of Rs 0.31 crores, the company has current maturities of long term debt of Rs 0.64 crores in FY19 (Audited) and has generate net cash from operations of Rs 1.40 crores in FY19 (Audited). The company has Interest Service Coverage Ratio of 1.34 Times and Debt Service Coverage Ratio of 0.99 Times in FY19 (Audited). The current ratio has been 1.62 Times as at FY19 (Audited). The company has a conversion cycle of 24 days in FY19 (Audited).

About the Company

Antarctic Industries Limited based in Ludhiana, Punjab and a part of Ludhiana Steel Rolling group. Antarctic Industries Ltd is the manufacturer & supplier of the ingots and it casts different grades of steel. The process involves loading the scrap and sponge iron in the baskets, which is then melted in the induction melting furnace to become molten metal. This molten metal is poured in ingot moulds, where it is cooled and Steel Ingots and Steel castings are derived as the final products which are later sold into the market and to the group companies.

Key Financial Indicators

Key Parameters	Units	FY19 (Audited)	FY18 (Audited)
Result Type			
Operating Revenue	₹ Cr	127.24	88.65
EBITDA	₹ Cr	0.99	2.27
PAT	₹ Cr	(0.01)	1.23
Tangible Net worth	₹ Cr	18.46	18.48
TD:TNW	Times	0.19	0.19
Current Ratio	Times	1.62	1.76

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA

Rating History for the last three years (Including Withdrawal and Suspended)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Current Rating	2019	2018	2017
1.	Fund Based Cash Credit Limit Term Loan	Long Term	3.00 0.56	BWR BB+ Stable Reaffirmed	BWR BB+ Stable Reaffirmed	NA	BWR BB+ Stable Assigned
2.	Non Fund Based FLC/ILC	Short Term	10.00	BWR A4+ Reaffirmed	BWR A4+ Reaffirmed	NA	BWR A4+ Assigned
	Total		13.56	Thirteen Crores and Fifty Six lac ₹ Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

Manufacturing Companies

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ANTARCTIC INDUSTRIES LIMITED- ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1	PUNJAB NATIONAL BANK	<u>Fund Based</u> Cash Credit Limit Term Loan (O/S)	3.00 0.56	3.56
2.	PUNJAB NATIONAL BANK	<u>Non Fund Based</u> <u>ILC/FLC</u>	Short Term (₹ Cr) 10.00	10.00
TOTAL : INR THIRTEEN CRORES FIFTY SIX LAKHS ONLY				13.56



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