



Rating Rationale

Antarctic Industries Ltd.

December 21, 2017

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs 14.25 Crs of Antarctic Industries Ltd.

Particulars:

Facility	Amount (Rs. in Crores)	Tenure	Rating Assigned*
Fund Based Cash Credit	3.00	Long Term	BWR BB+ (Pronounced as BWR Double B Plus); Outlook : Stable
Fund Based Term Loan(Proposed)	1.00	Long Term	
Non Fund Based FLC/ILC	10.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)
NFB Letter of Guarantee(Performance)	0.25	Short term	
Total	Rs 14.25 (INR Fourteen Crores and Twenty Five Lakhs Only)		

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the Antarctic Industries Ltd. (AIL) up to FY17, publicly available information and information/clarifications provided by the company.

Rating derives comfort from AIL's around 3-decades experience in the business of steel and allied products, business acumen of the promoters and company's increased profitability margins. The rating also factors in the comfortable financial risk profile because of low total debt to tangible net worth ratio, satisfactory debt protection metrics of the company and high cash accruals to total debt ratio of the company. The rating is further strengthened by continued demand from the LSR Mills & LSR forge (sister companies of AIL) and the financial backing of the LSR group as a whole, thus mitigating the demand side risk to an extent.

The rating is, however, constrained by the company's marginal market share, marginal decline in the revenues of the company in FY17, fluctuating prices of raw material in the international market,

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significant share of the imports in raw materials thus exposing the company to foreign exchange risk and high dependence on the performance of sister concerns.

Going forward, ability of the company to increase its scale of operations with sustained improvement in profitability margins, while maintaining the similar capital structure shall be the key rating sensitivities.

Key Rating Drivers:

Strengths:

- **Experienced management:** Presence of around three decades in the steel industry has enabled the promoters to establish strong relationship with suppliers and customers. This is reflected in significant operating income of around Rs 68.29 crore in FY17 despite the flat performance of the Indian Steel Sector in FY17 in terms of total crude steel production & its consumption.
- **Comfortable Debt Protection Metrics & Financial Risk Profile:** The company's total debt to tangible net worth stands comfortable at 0.20 times. Its debt protection metrics are robust because of nil long term obligation from banks in FY17. Its Interest Service Coverage stood at 4.31 times and Debt Service Coverage at 2.32 times as on March 31st, 17. Net cash accruals to total debt also stood at a comfortable level of 0.54 times.

Weakness:

- **Marginal Share in the Industry:** The firm is a small player in the domestic secondary steel industry. It manufactures ingots and casts different grades of steel, market for which is highly fragmented. Hence, individual players have limited bargaining power due to commoditized products.
- **Fluctuating prices of Raw Materials:** Prices of raw material, are volatile in the international market. This is coupled with high dependence of the company on group companies, Ludhiana Steel Rolling Mills and Ludhiana Steel Rolling Forge for the demand of its products. The LSR group does not have any long-term contract with suppliers for quantity and price, which further exposes operating margin to volatility in prices and availability of raw materials.

About the Company:

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.



Rating Outlook: Stable

BWR believes that AIL'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 company is able to increase its scale of operations. The rating outlook may be revised to 'Negative' if it is not able to maintain its profitability margins.

Company's Financial Performance:

The company booked total operating income of Rs 68.29 Crores in FY17 as against Rs. 71.93 Crores in FY16. PAT stood at 1.61 Crores in FY17 as compared to Rs 0.42 Crores in FY16.

Parameters	FY 2016(A) (Rs. in Crores)	FY 2017(A) (Rs. in Crores)
Total Operating Income	71.93	68.29
OPBDIT	1.13	2.57
PAT	0.42	1.61
Tangible Net Worth	15.81	17.41
Total Debt/TNW	0.48	0.20

Rating History for the last three years:

Facility	Rating Assigned in Dec17			Rating History		
	Amount (Rs. in Cr)	Tenure	Rating	FY16	FY15	FY14
Fund Based Cash Credit	3.00	Long Term	BB+ (Pronounced as BWR Double B Plus) Outlook : Stable	NA	NA	NA
Fund Based Term Loan(Proposed)	1.00	Long Term				
Non Fund Based FLC/ILC	10.00	Short Term	A4+ (Pronounced as BWR A Four Plus)			
NFB Letter of	0.25	Short				



Guarantee(Performance)		term				
Total	Rs 14.25 (INR Forteen Crores and Twenty Five Lakhs Only)					

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

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

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.



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