

## Press Release

### Brickwork Ratings assigns 'BWR A' & 'BWR A1' for ₹ 2700 Cr Bank Credit Facilities of Asian Colour Coated Ispat Ltd.

Brickwork Ratings (BWR) has assigned BWR A **Rating**<sup>1</sup> with Stable outlook and BWR A1 for Rs. 2700 Crores Bank Credit Facilities of Asian Colour Coated Ispat Ltd (ACCIL)

Instruments	Amount (In Rs. Cr)	Assigned/ Reaffirmed	Rating History
<b>Fund Based:</b>			
Term Loan Cash Credit	940* 790	<b>Assigned BWR A (Stable) (May 24, 2013)</b>	<b>Assigned BWR A- (Stable)* (June 29, 2012)</b>
<b>Non Fund Based:</b>			
Letter of Credit	970	<b>Assigned BWR A1</b>	
<b>Total</b>	<b>2700</b>	<b>(INR Two Thousand Seven Hundred Crores only)</b>	

*\*In June, 2012 BWR had rated Term Loan of Rs. 338 Crores which is currently a part of Term Loan facilities amounting to Rs. 940 Crores rated by BWR in May, 2013.*

The rating has factored, inter alia, the Management's experience in the steel industry, healthy operational / financial performance, increasing focus on value added products and completion of the expansion projects. The rating, however, is constrained by the current overall economic conditions which could affect the sector, and the Company's stretched working capital cycle.

BWR has essentially relied upon the audited financial results of ACCIL up to FY12, provisional key figures for FY13, and projected financials for FY14 & FY15, and information and clarifications provided by the Company.

ACCIL is a closely held public limited Company. It was incorporated in February 2005. It is promoted by Mr. Ram Kumar Aggarwal, Mr. Pradeep Aggarwal, Mr. Vikas Aggarwal and AGR Steel Strips Pvt Ltd (ASSPL). The promoters were traditionally in the business of steel trading. In the year 2000, with the acquisition of AGR Steel Strips Pvt. Ltd, they began manufacturing

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings

cold rolled coils, galvanized coils and colour coated coils. The Company's corporate office is located in Gurgaon, while its manufacturing facilities are located in Bawal, Haryana.

The Company has completed its two key projects, viz., (a) expansion of the existing facilities at Bawal and (b) a Greenfield facility at the Khopoli Industrial Estate, Raigarh, Maharashtra. The total cost of Bawal expansion was Rs.507 crores and project D/E - 2:1, and that of Khopoli Rs. 755 crores and project D/E - 3:2. Commercial Production in both these commenced in April 2013. ACCIL caters to Original Equipment Manufacturers in the NCR region such as Hero Honda, LG Electronics, Electrolux, Maruti Udyog, Maharaja Electricals, etc., and has a ready market for its galvanized and colour coated products. In future, the Company plans to focus on its value-added products to benefit from the higher margins.

Net Sales of ACCIL increased from Rs. 1727 crores in FY12 to Rs. 3017 crores in FY13 (provisional), reflecting a y-o-y growth of 75%. Sales CAGR between 2009 and 2012 was ~23%. EBITDA margin for FY13 was 13.5 % and PAT margin was 4.6%, this is a slight decrease from FY12 EBITDA margin of 16.2% and PAT margin of 6.6%. Total borrowings have increased from Rs. 1379.6 crores in FY12 to Rs. 1730 Crores in FY13.

ACCIL and the other group companies have a rich experience in steel industry. ACCIL's capacity expansion is expected to boost the revenues for the coming years, assuming that the user industries perform normally, which is a key monitor able. The Company expects to benefit from the geographical diversification due to the Khopoli project.

Consequent to the increase in capacity, ACCIL's working capital needs are expected to increase as well, and ACCIL has already applied to its bankers for the same. Timely approval and release of the enhanced limits, as also a tighter WC management to improve efficiencies and reduce interest costs, would be key rating sensitivities.

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