

## Rating Rationale

### Brickwork Ratings downgrades the rating to 'BWR BB/A4' with Negative Outlook for the Bank Loan facilities amounting to ₹ 3585 Cr of Asian Colour Coated Ispat Limited

Brickwork Ratings (BWR) has downgraded the **Ratings**<sup>1</sup> for the Bank Loan facilities amounting to Rs.3585 Cr of Asian Colour Coated Ispat Limited (ACCIL or 'the Company') as follows:

| Facility                                    | Previous Amount (₹ Cr) | Rating Amount (₹ Cr)            | Tenure   | Ratings History  | Ratings after review <sup>1</sup>   |
|---|------------------------|---------------------------------|--|--|---|
| Fund Based<br><b>Cash Credit Term Loans</b> | 1221.00<br>624.00      | <b>1221.00</b><br><b>624.00</b> | <b>Long Term</b>   | BWR BBB<br>(BWR Triple B)<br>Outlook: Negative<br>April 2016 | <b>BWR BB</b><br><b>(BWR Double B)</b><br><b>Outlook: Negative</b><br><b>(Downgraded)</b> |
| Non Fund Based<br><b>Letter of Credit</b>   | 1740.00                | <b>1740.00</b>                  | <b>Short Term</b>  | BWR A3<br>(BWR A Three)<br>April 2016                        | <b>BWR A4</b><br><b>(BWR A Four)</b><br><b>(Downgraded)</b>                               |
| <b>Total</b>                                | 3585.00                | <b>3585.00</b>                  | <b>INR Three Thousand Five Hundred and Eighty Five Crores only</b> |  |   |

**Note:** Details of Bank Loan Facilities are provided in Annexure I

The revision in the ratings takes into account the Company's declining financial performance in FY16, short term liquidity problems, which continue to persist resulting in limits being overdrawn, ostensibly owing to capacity expansion and delay in disbursement of additional loans by lenders. BWR has also taken note that the restructuring proposal submitted by the Company to lenders under the 5/25 scheme has been put into abeyance and there is an uncertainty of the lenders' additional financial support in the short term.

#### Business Overview:

ACCIL is part of the Haryana based Asian Group of Companies, incorporated in February 2005 and promoted by Mr. Ram Kumar Aggarwal, Mr. Pradeep Aggarwal, Mr. Vikas Aggarwal and AGR Steel Strips Private Limited (ASSPL). The company's corporate office is located at Gurgaon, while its manufacturing facilities are located at Bawal (Haryana) and Khopoli (Maharashtra). ACCIL is engaged in the manufacture of Hot Rolled Pickled Oil (HRPO) Coils, Cold Rolled Coils, HR Galvanised Coils, CR Galvanised Coils and Colour Coated Sheets/Coils.

#### Financial Performance:

ACCIL has reported total operating income of Rs.6644.94 Cr in FY15 & net profit of Rs.211.48 Cr in FY15 as against total operating income of Rs.5426.98 Cr & net profit of Rs.245.59 Cr in FY14.

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

As of 31<sup>st</sup> March 2015, the Company's tangible net worth stood at Rs.1474.03 Cr and the gearing level was 2.22 times.

On a provisional basis, the Company has informed of having achieved net sales of Rs.4996.38 Crores for 9M FY16, with a net loss of Rs.95.64 Cr. The loss was mainly due to inventory write-off on account of price volatility.

**Rating Sensitivities:**

With regard to conduct of the account, existing bank facilities availed from the lenders under consortium lending are running irregular. Further, lenders have asked for Techno Economic Viability (TEV) Report from the management for restructuring the said facilities.

Restructuring of the existing bank facilities coupled with continuous financial support from the lenders for providing relief on the debt servicing front, release of required working capital limits for the projected level of activity, and achieving the said numbers with profits would be the key rating sensitivities. Continuation of liquidity constraints would hamper operations of the manufacturing facilities, and would call for a further review of the rating.

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**Asian Colour Coated Ispat Limited**

**Annexure I**

| S.NO         | NAME OF THE BANKER             | WORKING CAPITAL LIMITS |             | TERM LOAN<br>O/S<br>Aug 2015 | TOTAL       |
|--------------|--------------------------------|------------------------|-------------|------------------------------|-------------|
|              |                                | NON FUND<br>BASED      | FUND BASED  |                              |             |
| 1            | STATE BANK OF PATIALA          | 258                    | 169         | 41                           | 468         |
| 2            | STATE BANK OF INDIA            | 136                    | 103         | 94                           | 333         |
| 3            | STATE BANK OF MYSORE           | 93                     | 63          | 20                           | 176         |
| 4            | INDIAN OVERSEAS BANK           | 170                    | 125         | 69                           | 364         |
| 5            | KARNATAKA BANK                 | 27                     | 78          | 23                           | 128         |
| 6            | STATE BANK OF HYDERABAD        | 140                    | 60          | 27                           | 227         |
| 7            | ALLAHABAD BANK                 | 60                     | 30          | -                            | 90          |
| 8            | BANK OF BARODA                 | 95                     | 85          | 114                          | 294         |
| 9            | UNION BANK OF INDIA            | 175                    | 113         | 54                           | 342         |
| 10           | BANK OF INDIA                  | 120                    | 80          | -                            | 200         |
| 11           | DENA BANK                      | 93                     | 62          | 50                           | 205         |
| 12           | ANDHRA BANK                    | 115                    | 90          | 54                           | 259         |
| 13           | STATE BANK OF BIKANER & JAIPUR | 78                     | 38          | -                            | 116         |
| 14           | CANARA BANK                    | 155                    | 100         | -                            | 255         |
| 15           | LAKSHMI VILAS BANK             | 25                     | 25          | -                            | 50          |
| 16           | PUNJAB & SIND BANK             | -                      | -           | 31                           | 31          |
| 17           | CORPORATION BANK               | -                      | -           | 30                           | 30          |
| 18           | NAINITAL BANK LIMITED          | -                      | -           | 17                           | 17          |
| <b>TOTAL</b> |                                | <b>1740</b>            | <b>1221</b> | <b>625</b>                   | <b>3585</b> |

**Note:**

Consortium lead for working capital limits is State Bank of Patiala (SBOP), Term Loan lead for the Khopoli plant is Bank of Baroda and Term Loan lead for Bawal unit is State Bank of India.