

Rating Report

Brickwork Ratings reaffirms long term rating of ‘BWR BB+’ and assigns short term rating of “BWR A4+” for the Bank Loan facilities amounting to ₹744.00 Crores (enhanced from ₹308.00 Crores) of ACCIL Auto Steels Private Limited.

Brickwork Ratings has reaffirmed/assigned the **Ratings¹** for the Bank Loan facilities amounting to ₹744.00 Crores of ACCIL Auto Steels Private Limited (“AASPL” or “the Company”) as follows:

Facility**	Limits ₹ Crores		Tenure	Previous Rating March 27, 2014	Present Rating
	Previous	Present			
Term Loan	308.00	308.00	Long Term	BWR BB+ (Outlook: Stable)	Reaffirmation of BWR BB+ (Outlook: Stable)
Cash Credit	-	270.00			
Letter of Credit	-	166.00	Short Term	Nil	Assignment of BWR A4+
Total	308.00	744.00	Rupees Seven Hundred and Forty Four Crores Only		

**Details of facilities are shown in Annexure I

Note: The fund based and non fund based working capital limits includes proposed limits of ₹370.60 Crores.

BWR has principally relied upon the audited financial results upto FY15, projected financials upto FY18, publicly available information and information/clarifications provided by the Company’s management.

The rating continues to factor the promoter’s extensive experience & track record of the Haryana based Asian Group in the steel industry and satisfactory progress in implementation of the project. However, the rating is constrained by the initial phase of operations of the Company and the present market sentiments of the steel industry.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Business Overview:

ACCIL Auto Steels Pvt. Ltd. (AASPL), was incorporated on October 9, 2012 at Gurgaon by Mr. Pradeep Aggarwal and Mr. Vikas Aggarwal. AASPL is part of Haryana based Asian group of Companies. The group is one of the integrated steel manufacturers in Haryana and the group comprises of Asian Color Coated Ispat Limited (ACCIL) (Rated BWR A/A1 in Aug 2015) and Asian Ispat FZC (AIF) (incorporated in United Arab Emirates), AGR Steel Strips Pvt Ltd (Rated BWR BBB-/A3 in Aug 2015), which are engaged in manufacturing Cold Roll Coils, Galvanized Cold Rolled Sheets and Colour Coated Sheets etc. The other group concerns ACCIL Corporation Ltd and ACCIL Hospitality Ltd are into real estate and hospitality business.

AASPL is in the process of setting up Cold Rolled Close Annealed (CRCA) manufacturing unit at Bawal, Haryana from Jan 2013. AASPL has commenced the commercial production of Cold Rolling Mill with a capacity of 360000 TPA in May 2015 and Annealing Furnace unit with a capacity of 300000 TPA in Oct 2015 (as against the scheduled COD of Jan 2016). The Company manufactures wide width Cold Rolled sheet and Close Annealed sheets which are used in industries like Automobile, white goods , Drum and Containers manufacturing industry, Electronic component industry, Cable Tape Industry, Cycle industry, etc. The Company's manufacturing unit is located at Bawal, Haryana, [near the existing unit of Asian Colour Coated Ispat Ltd.].

Current Status of the Project:

The project was proposed to be setup at a cost of Rs. 474 crores and funded in a debt equity ratio of 2:1. As on Sep 30, 2015, the Company has incurred ~₹408 Crores towards the project and achieved financial progress of ~85%, with promoters contribution (Equity and unsecured loans) of ₹ 130 Crores and the rest funded by debt.

The scheduled COD of the project is Jan 2016. The company has now implemented the project in phases as follows

- a. Cold Rolling Mill – May 2015
- b. Annealing Furnaces – Sep 2015

It is noted that the Company has implemented the project ahead of schedule. However, the minor works relating to packing and slitting line are under progress which is expected to be completed before Jan 2016.

Shareholding Structure:

As on March 31, 2015, the promoter directors hold ~16% stake and rest ~84% by body corporates (i.e, Wonder Infra Build Pvt Ltd, Dhanvaan Industries Pvt Ltd, Fivestar Infraprojects Pvt Ltd, Arudhara Infraprojects Pvt Ltd and Vatsal infraprojects Pvt Ltd) which are directly or indirectly owned by Mr. Pradeep Aggarwal and Mr. Vikas Aggarwal.

The shareholding companies are primarily investment Companies of the group.

Management Profile

The Board of AASPL comprises of Mr. Pradeep Aggarwal, Mr. Vikas Aggarwal, Mr. Devendar Kumar and Ms. Shilpa Gupta. The promoters have extensive experience of over 20 years in the cold rolled steel strips manufacturing industry.

Financial Performance:

The Company has started generating revenue from May 2015. On a provisional basis, the Company has achieved net revenue of around ₹ 198.70 Crs till Nov 30, 2015. As of 31st March 2015, the Company's tangible net worth and total debt stood at ₹100.07 Crores and ₹224.05 Crores, respectively. Gearing was 2.24 times in FY15, as against 1.39 times in FY14. Key financial performance of the Company is provided in Annexure II.

Credit Risk Determinants:

The credit risk of AASPL is expected to be moderate considering its successful implementation of project and operational synergies derived from the group concern Asian Colour Coated Ispat Limited. Its ability to stabilise the operations and meet its expected cash flows, ensure optimal capacity utilisation and manage its working capital efficiently will offset the credit risk of AASPL to a certain extent.

Rating Outlook:

The rating outlook is expected to be stable over the current year considering the successful implementation of the project and operational synergies derived from the group concern Asian Colour Coated Ispat Limited. However, the rating is sensitive to the subdued demand and market sentiments of the steel industry, the pressure on margins and the capital intensity of the industry. Any further downturn in the steel sector may have a negative impact on the ratings. Going forward, the Company's ability to stabilise its operations, ensure optimal capacity utilisation, undertake efficient marketing of the products, ensure timely debt servicing, strengthen its capital structure and raise and manage its working capital efficiently will remain the key rating sensitivities.

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Annexures-I

Bank Loan Facilities

S.NO	NAME OF THE BANKER	TERM LOAN	WORKING CAPITAL LIMITS		TOTAL
			FUND BASED (Cash Credit)	NON FUND BASED (Letter of Credit)	
1	Andhra Bank	100.00	40.50	24.90	165.40
2	Dena Bank	83.00	72.76	44.74	200.50
3	Central Bank of India	75.00	65.75	40.42	181.17
4	Corporation Bank	50.00	43.82	26.94	120.76
5	Others	-	47.17	29.00	76.17
TOTAL		308.00	270.00	166.00	744.00 **

Note: The fund based and non fund based working capital limits includes proposed limits of ₹370.60 Crores.

Annexures-II
Balance Sheet - ACCIL Auto Steels Pvt Ltd

₹ in Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	6.56	70.99	100.07
Share capital	5.51	70.99	89.98
Share Application Money	1.05	0.00	10.10
Reserves and Surplus	0.00	0.00	0.00
Non-current liabilities	0.00	99.22	168.44
Long Term Borrowings	0.00	98.94	167.12
Other Long Term liabilities	0.00	0.28	1.32
Current liabilities	28.87	4.52	60.18
Short-Term Borrowings	0.00	0.00	56.93
Trade Payables	2.50	0.93	0.33
Other Current Liabilities	26.29	3.53	2.67
Short Term Provisions	0.08	0.06	0.26
Total Liabilities	35.43	174.73	328.70
ASSETS			
Non-current assets	35.30	148.49	318.95
Net Fixed Assets	0.00	0.00	0.11
Capital Work in Progress	0.67	58.46	308.78
Other Long Term Loans & Advances	34.63	90.03	10.06
Current assets	0.13	26.23	9.75
Cash and Cash Equivalents	0.06	25.62	8.93
Short-Term Loans and Advances	0.07	0.03	0.13
Other Current Assets	0.00	0.58	0.69
Total Assets	35.43	174.73	328.70