

## Rating Report

**Brickwork Ratings upgrades long term rating to 'BWR BB+' (Stable) from 'BWR BB' (Stable) and reaffirms 'BWR A4+' as the short term rating for the Bank Loan facilities aggregating to Rs. 42.00 Crores of Aanchal Ispat Limited.**

Brickwork Ratings (BWR) has upgraded the long term **Rating**<sup>1</sup> and has reaffirmed the short term rating for the aggregated Bank Loan facilities of Rs. 42.00 Crores of Aanchal Ispat Limited (AIL or 'the Company') as follows :

Facility	Amount in Crores		Tenure	Present Rating	Previous Rating (June 2015)
	Previous Limits	Present Limits			
<b>Fund Based</b>					
Cash Credit	<b>27.00</b>	<b>32.00</b>	<b>Long Term</b>	<b>Upgraded to BWR BB+</b> (Pronounced BWR Double B Plus) <b>Outlook: Stable</b>	<b>BWR BB</b> (Pronounced BWR Double B) <b>Outlook: Stable</b>
<b>Non Fund Based</b>					
ILC/FLC (Sub-Limit of Cash Credit)	<b>(5.00)</b>	<b>(5.00)</b>	<b>Short Term</b>	<b>Reaffirmed at BWR A4+</b> (Pronounced BWR A Four Plus)	<b>BWR A4+</b> (Pronounced BWR A Four Plus)
ILC/FLC	<b>5.00</b>	<b>10.00</b>			
<b>Total</b>	<b>32.00</b>	<b>42.00</b>	<b>INR Forty Two Crores only</b>		

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

BWR has essentially relied upon the audited financial results of AIL upto FY16, projected financial statements for FY17 and FY18, publicly available information and information/clarifications provided by the management of the Company.

The ratings draw strength from the extensive experience of the promoters in the iron & steel industry, improvement in capacity utilization, expansion of customer base and comfortable gearing levels. The rating is, however, constrained by relatively moderate scale of operations, low profit margins and cash accruals, cyclical nature inherent in the steel industry, working capital intensive nature of operations, stiff competition, and the vulnerability of the Company's profitability to fluctuation in raw material prices. During FY16, the growth in Sales was mainly driven by trading activities.

## **Company Profile:**

Aanchal Ispat Limited, earlier known as Vinita Projects Private Limited was incorporated in 1996 and was taken over by Aanchal Group in 2009 and the name was changed to Aanchal Ispat Private Limited. Later, in August 2014, the Company was converted as limited Company and in December 2014, the Company was listed on BSE on SME platform. The Company is engaged in the manufacturing of structural steel products and TMT bars under the brand “Relicon”. The Company is also engaged in the trading of Cement and Billets.

Apart from Aanchal Ispat Limited, the Group consists of Aanchal Cement Limited, Aanchal Collection Limited, Pratik Suppliers Private Limited, Penguin Creation Pvt Ltd and Maina Securities Private Limited. The management activity of the group Companies is also looked after by the directors of the Aanchal Ispat Limited.

## **Management:**

Mr. Mukesh Goel is the Managing Director of the Company, having more than two decades of experience in the Iron & Steel industry. Manoj Goel, younger brother of Mukesh Goel, is the Non-Executive Director. Sudhir Kumar Budhia, Mukesh Agarwal and Preetee Agarwal are the independent directors of the Company.

## **Financial Performance:**

As per audited financial statements for FY16, AIL has reported Profit After Tax of Rs. 1.00 Crore on Total Operating Income of Rs. 226.66 Crores. As of 31 March 2016, tangible net worth of the Company stood at Rs. 40.21 Crores.

Further, as per information provided by the Company's management, AIL has achieved turnover of Rs. 65.17 Crores in Q1FY17.

The financial details are in the Annexures I, II & III.

## **Key Rating Determinants:**

- Capacity utilization for TMT Bars/ M.S. Round increased from 71.82% in FY15 to 83.92% in FY16 while for M.S. Angle and Channel it increased from 79.30% in FY15 to 85.63% in FY16.
- Expansion of customer base resulted into significant fall in top five customer concentration from 50% in FY15 to 22% in FY16.
- Gearing level stood at 0.68 times in FY16.
- Sales growth was driven by trading activities. In FY16, trading activities constituted 35% of total sales compared to 24% in FY15.
- The Company reported PAT of Rs. 1.00 Crore in FY16 against Rs. 0.39 Crore in FY15. However, the growth was mainly on account of non-operating income.
- High competition and capital intensive nature of business.

## **Rating Outlook:**

The outlook of the Company is expected to be stable in the near term. Going forward, the Company's ability to improve its scale of operations, profitability and effective management of working capital and volatility in raw material prices shall remain the key rating sensitivities.

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## Aachal Ispat Limited

### Annexure I: Balance Sheet

Particulars (Rs in Crores)	FY13	FY14	FY15	FY16
	Audited	Audited	Audited	Audited
<b>Liabilities</b>				
<b>EQUITY AND RESERVES</b>	<b>22.21</b>	<b>22.98</b>	<b>39.20</b>	<b>40.21</b>
Share capital	4.28	4.28	20.85	20.85
Reserves and Surplus	17.93	18.70	18.35	19.35
<b>Non-current liabilities</b>	<b>4.00</b>	<b>4.03</b>	<b>1.34</b>	<b>1.37</b>
Long-Term Borrowings	3.15	3.19	0.57	0.39
Deferred tax Liabilities (Net)	0.85	0.85	0.71	0.92
Long-Term Provisions	0.00	0.00	0.05	0.07
<b>Current liabilities</b>	<b>46.40</b>	<b>43.78</b>	<b>50.05</b>	<b>61.13</b>
Short-Term Borrowings	22.85	25.07	22.70	26.81
Current Portion Of Long Term Debt	0.00	0.00	0.34	0.18
Trade Payables	17.59	15.18	23.40	28.47
Other Current Liabilities	3.95	0.89	1.33	3.04
Short-Term Provisions	2.00	2.63	2.29	2.64
<b>Total Liabilities</b>	<b>72.61</b>	<b>70.80</b>	<b>90.59</b>	<b>102.71</b>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>9.55</b>	<b>7.51</b>	<b>9.01</b>	<b>8.68</b>
Net Fixed assets	6.28	5.88	5.86	7.02
Non Current Investments	0.07	0.00	0.00	0.00
Long Term Loans and Advances	2.79	0.77	0.75	0.62
Other Non Current Assets	0.42	0.86	2.40	1.04
<b>Current assets</b>	<b>63.06</b>	<b>63.29</b>	<b>81.59</b>	<b>94.03</b>
Inventories	19.50	25.97	25.57	37.12
Trade Receivables > Six Months	5.35	2.46	2.61	7.33
Trade Receivables < Six Months	32.57	32.54	51.25	41.65
Cash and Cash Equivalents	2.99	0.67	0.31	4.15
Short-Term Loans and Advances	2.65	1.64	1.84	3.58
Other Current Assets	0.00	0.00	0.00	0.20
<b>Total Assets</b>	<b>72.61</b>	<b>70.80</b>	<b>90.59</b>	<b>102.71</b>

## Aachal Ispat Limited

### Annexure II: Profit and Loss Account

Particulars (Rs in Crores)	FY13	FY14	FY15	FY16
	Audited	Audited	Audited	Audited
<b>Net Sales</b>	<b>143.91</b>	<b>190.38</b>	<b>190.68</b>	<b>226.66</b>
<b>Total Operating Income</b>	<b>143.91</b>	<b>190.38</b>	<b>190.68</b>	<b>226.66</b>
<b>Operating Expenses</b>	<b>139.51</b>	<b>185.01</b>	<b>185.73</b>	<b>220.83</b>
<b>OPBDIT</b>	<b>4.40</b>	<b>5.37</b>	<b>4.95</b>	<b>5.83</b>
Depreciation/Amortization/Impairment	0.45	0.46	0.64	0.52
<b>OPBIT</b>	<b>3.95</b>	<b>4.92</b>	<b>4.31</b>	<b>5.31</b>
Interest and Finance Charges	3.28	3.91	3.73	4.97
<b>OPBT</b>	<b>0.68</b>	<b>1.01</b>	<b>0.57</b>	<b>0.34</b>
Non Operating Income(Expenses)	0.22	0.18	0.08	1.12
<b>PBT</b>	<b>0.89</b>	<b>1.19</b>	<b>0.66</b>	<b>1.47</b>
Provision for Taxes	0.30	0.42	0.27	0.46
<b>PAT</b>	<b>0.59</b>	<b>0.77</b>	<b>0.39</b>	<b>1.00</b>

## Aachal Ispat Limited

### Annexure III: Ratios

Particulars		FY13	FY14	FY15	FY16
		Audited	Audited	Audited	Audited
Tangible Net Worth	Rs in Crs	22.21	22.98	39.20	40.21
Capital Employed	Rs in Crs	49.07	52.09	63.52	68.50
Total Debt/TNW	Times	1.17	1.23	0.60	0.68
Long Term Debt/TNW	Times	0.14	0.14	0.01	0.01
TOL/TNW	Times	2.17	1.98	1.31	1.51
ISCR	Times	1.34	1.37	1.32	1.17
DSCR	Times	1.26	1.18	1.14	1.22
Net Cash Accruals/Total Debt	Times	0.04	0.04	0.04	0.06
Net Profit Margin	Per Cent	0.41	0.40	0.20	0.44
Operating Profit Margin	Per Cent	3.06	2.82	2.59	2.57
ROCE	Per Cent	8.63	9.72	7.45	8.04
Current Ratio	Times	1.36	1.45	1.63	1.54
Days Receivables	Days	74	70	85	83
Days Inventory	Days	65	45	51	52
Days Payable	Days	0	15	40	44
Conversion Cycle	Days	139	100	96	91