Rating Report

Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 38.52 Cr of Anshul Steels Limited

Brickwork Ratings has assigned the following **Ratings**[1] for long-term Bank Loan Facilities of Anshul Steels Limited *(ASL or "the Company").*

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit **(CC)** Term Loan **(TL)** Working Capital Term Loan**(WCTL)**	**22.00** **2.52** **13.00**	**Long Term**	**BWR B** (Pronounced BWR Single B) **(Outlook: Stable)**
Fund Based: Bank Guarantee **(BG)**	**1.00**	**Short Term**	**BWR A4** (Pronounced BWR A Four)
Total	**38.52**	**(INR Thirty Eight Crores & Fifty Two Lakhs only)**	

BWR has relied upon ASL's audited financial results up to FY13, limited provisional financials of FY14, projected financials of up to FY16 and the information/clarifications provided by the Company.

The ratings, inter alia, factor experience of the promoters in the steel industry, and promoter's demonstrated ability to infuse funds via interest free unsecured loans to protect capital structure. The ratings, however, constrained by declining top-line due to weak demand scenario, liquidity constraints marked by low current ratio and high working capital intensity of the business, and inherent steel price fluctuation which leads to volatility in margins.

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

Company Background and Operations

Anshul Steels Ltd (ASL) is incorporated in December, 2004 by its promoter's Mangal family. The Company is engaged in manufacturing of Sponge Iron, M. S. Ingot, and Iron Steel Merchant. The production capacity of Sponge Iron is 60,000 MT p.a. and that of M.S. Ingot is 36,000 MT p.a.

The capacity utlisation is very weak (28% for Sponge Iron and 20.14% for M.S.Ingot) as a result of weak demand scenario.

The Company's customer portfolio is concentrated on top 3 customers since they contributed to ~60% of the Company's total revenue for FY13 and FY14. Suppliers' portfolio is also concentrated with top 5 suppliers account for 50% of the Company's total purchases for FY14.

The Company has working capital intensive operations mainly due to high inventory holding. Its average monthly CC utilisation for the period last one year i.e. Jun – May 2014 is 95%.

Management Profile

Anshul Steels Limited (ASL) is promoted and managed by Mangal family, namely Mr. Kushal Mangal and his brother Mr. Anand Mangal; both of them have over a decade experience in the steel industry.

Financial Performance

During the FY13, the Company's operating income decreased to ₹66.25 Cr with a PAT of ₹0.77 Cr as against an operating income of ₹77.10 Cr with a PAT of ₹3.02 Cr in FY12. As per provisional figures, operating income for FY14 is further decreased to ₹62.24 Cr with a PAT of ₹0.77 Cr.

The Company's debt equity ratio in FY13 is 1.53 times, however a debt to tune of ₹6.5 Cr is interest free unsecured loan provided by promoters. The Company's liquidity ratios and coverage indicators are moderately weak since its Current Ratio stands at 1.22 times, ISCR stands at 1.55 times and DSCR stands at 1.17 times for FY13.

Outlook

The outlook is Stable. The Company's first quarter sales (as informed by management) are ₹18.59 Cr, indicating marginal revival to demand. The Company's ability to leverage on the demand revival by increasing top line, improving margins, improving inventory turnover, and increasing scale of business are key rating sensitivity factors.

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Key Financials – Anshul Steels Limited

Annexure I: Abridged Balance Sheet (₹ Cr)

	FY 2011	FY 2012	FY 2013
Result Type	**Audited**		
Liabilities			
EQUITY AND RESERVES	**18.53**	**22.04**	**22.81**
Share capital	7.50	8.00	8.00
Reserves and Surplus	11.03	14.04	14.81
Non-current liabilities	**13.24**	**17.54**	**13.71**
Long-Term Borrowings	10.91	10.29	10.92
Deferred tax Liabilities (Net)	2.31	2.80	2.68
Other Long Term liabilities	0.00	4.35	0.00
Long-Term Provisions	0.01	0.10	0.12
Current liabilities	**30.36**	**38.56**	**42.72**
Short-Term Borrowings	18.23	18.82	24.01
Trade Payables	8.20	17.37	15.51
Other Current Liabilities	0.99	0.32	0.73
Short-Term Provisions	2.95	2.04	2.48
Total Liabilities	**62.13**	**78.15**	**79.24**
ASSETS			
Non-current assets	**28.23**	**26.86**	**27.10**
Net Fixed assets	27.18	25.64	26.17
Capital Work-In-Progress	0.13	0.30	0.00
Long Term Loans and Advances	0.45	0.45	0.45
Other Non Current Assets	0.48	0.48	0.48
Current assets	**33.90**	**51.28**	**52.15**
Inventories	16.20	19.98	27.30
Trade Receivables > Six Months	1.70	2.10	1.21
Trade Receivables < Six Months	12.47	12.70	4.71
Cash and Cash Equivalents	1.47	1.84	1.97
Short-Term Loans and Advances	1.77	14.10	15.18
Other Current Assets	0.29	0.55	1.78
Total Assets	**62.13**	**78.15**	**79.24**

Annexure II: Abridged Profit and Loss (₹ Cr)

	FY 2011	FY 2012	FY 2013
Result Type	**Audited**		
Gross Sales	73.74	81.75	74.33
Traded Goods Sales	4.94	3.05	0.00
Excise Duty/Sales Tax	6.85	7.70	8.08
Net Sales	**71.83**	**77.10**	**66.25**
Other Operating Income	0.00	0.00	0.00
Total Operating Income	**71.83**	**77.10**	**66.25**
Operating Expenses	61.67	66.69	58.97
OPBDIT	**10.15**	**10.41**	**7.28**
Depreciation/Amortization/Impairment	1.73	1.74	1.76
OPBIT	**8.42**	**8.67**	**5.52**
Interest and Finance Charges	4.42	4.26	4.71
OPBT	**4.01**	**4.41**	**0.81**
Non-Operating Income(Expenses)	0.12	0.10	0.19
PBT	**4.13**	**4.51**	**1.01**
Extraordinary/Prior Period - Income(Expense)	-0.52	0.00	0.00
Provision for Taxes	0.97	1.49	0.24
PAT	**2.64**	**3.02**	**0.77**

Annexure III: Ratio Analysis*

*Calculation has been done based on BWR ratio definition

Key Ratios	FY 2011	FY 2012	FY 2013
Tangible Net worth (₹ Cr)	18.53	22.04	22.81
D/E Ratio (x)	1.57	1.32	1.53
Interest Coverage (x)	2.30	2.44	1.55
Debt Service Coverage (x)	1.99	1.55	1.17
Net Profit Margin (%)	3.67	3.92	1.16
Net Cash Accruals / Total Debt (x)	0.15	0.18	0.07
ROCE (%)	16.86	16.68	9.66
Current Ratio (x)	1.12	1.33	1.22