

Press Release

A S Steel Traders

March 26, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 48.00 crore (Enhancement from Rs.38 crore)
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.48.00 crore bank facilities of A S Steel Traders(ASST). The outlook is '**Stable**'.

The rating on ASST takes into account the comfortable business profile of the A S group and its reputed clientele. The rating is also supported by its experienced management and efficient working capital management. These strengths are, however, partly offset by its moderate financial risk profile, intense competition and inherent cyclical nature of steel industry.

Established in 1987, A S Steel Traders (ASST) is promoted by Mr.Nagesh Anumalisetty, Mr.Magesh Anumalisetty, Mr.Jagadish Anumalisetty and Mrs. Lakshmi Anumalisetty. The firm is an authorised distributor of steel products of Rashtriya Ispat Nigam Private Limited (RINL), Steel Exchange India Limited and REC Ispat Private Limited. ASST has an MoU with RINL for stock lifting from the locations of Visakhapatnam, Vijayawada and Hyderabad, and has emerged as one of the leading distributors of RINL in Visakhapatnam region.

About the Group

Incorporated in 2003, A.S. Steel Traders (VSP) Private Limited (ASPL) is an iron & steel trading company promoted by Mr.Nagesh Anumalisetty, Mr.Magesh Anumalisetty and Mr.Jagadish Anumalisetty. The company primarily trades in customized steel products such as blooms and billets and all other products of iron and steel available in the market from eminent clients such as RINL, Jindal Steel, TATA Steel BSL Limited and many more to manufacturers and re-rollers situated in states such as Maharashtra, Karnataka, Gujarat and Chhattisgarh.

Analytical Approach

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of A S Steel Traders (ASST) and A.S. Steel Traders (VSP) Private Limited (ASPL), collectively referred to as A S group, as both the entities are into similar line of business, common management and significant operational linkages. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters of the group, Mr. Nagesh Anumalisetty and his brothers, have more than three decades of experience in the iron & steel industry. Acuité believes that the extensive experience of the management and long track record of operations has enabled the group to maintain healthy relationships with their key customers and suppliers.

- **Reputed clientele with diversified geographical presence**

AS group has been dealing with Rashtriya Ispat Nigam Private Limited (RINL) as authorised distributor for more than a decade and has an MoU with the same for stock lifting from the locations of Vishakapatnam,

Vijaywada and Hyderabad. Additionally, the group sells various customized products of Jindal Steel, TATA Steel BSL Private Limited to wide client base located in states including Maharashtra, Karnataka, Gujarat and Chhattisgarh. Acuité believes the group's healthy relationship with customers and its diversified geographical presence will support the revenues growth of the group going forward.

- **Efficient working capital management**

A S Group's operations are efficiently managed with gross current asset (GCA) of 68 days in FY2020 as compared to 75 days in FY2019 due to improvement in inventory days from 16 days in FY2019 to 10 days in FY2020. A S Group enjoys close proximity to the steel plant of Rashtriya Ispat Nigam Limited (RINL) resulting in timely availability of the products at their yards. The debtor days stood at 55 days in FY2020 compared to 53 days in FY2019. Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weaknesses

- **Moderate financial risk profile**

The group's moderate financial risk profile is marked by modest net worth, improving gearing and moderate debt protection metrics. The net worth of the group improved to Rs.37.85 crores as on March 31, 2020 from Rs.33.92 crores as on March 31, 2019 due to retention of profits. The group has gearing at 1.47 times as on March 31, 2020 as against 2.35 times as on March 31, 2019. The debt of Rs.55.76 crores mainly consists of short term debt of Rs.48.66 crores, long term debt of Rs.6.39 crores, maturing obligation of Rs.0.70 crore and unsecured loan of Rs.0.01 crore as on 31st March 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.45 times as on March 31, 2020 as against 3.63 times as on March 31, 2019. The moderate debt protection metrics of the group is marked by Interest Coverage Ratio at 1.83 times in FY2020 as against 1.86 times in FY2019, Debt Service Coverage Ratio stood at 1.54 times in FY2020 as compared to 1.67 times in FY2019 and Net Cash Accruals to total Debt (NCA/TD) stood at 0.09 times for FY 2020 as compared to 0.07 times for FY 2019. Acuité believes that the financial profile of the group is expected to improve backed by steady accruals over the medium term.

- **Intense competition and inherent cyclical nature of steel industry**

A S group is exposed to intense competition in the steel sector due to the presence of a large number of unorganised players on account of low entry barriers with little technology intensity and limited differentiation in end products. Demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, A S group's business risk profile is exposed to the inherent cyclical nature in these sectors.

Rating Sensitivity

- Improvement in financial risk profile
- Sustenance of working capital management

Material Covenants

None

Liquidity Profile: Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.5.00 crores in FY2020 as against long term debt repayment of Rs.0.70 crores over the same period. The current ratio stood comfortable at 1.37 times as on March 31, 2020 as compared to 1.24 times as on March 31, 2019. The cash and bank balances of the group stood at Rs.0.11 crores as on March 31, 2020 as compared to Rs.3.54 crores as on March 31, 2019. The fund based limit remains utilised at 70 per cent over the seven months ended January, 2021. However, the group has availed covid loan of Rs.10.52 crores. Acuité believes that going forward, the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that going forward, the outlook on A S Group will remain 'Stable' over the medium term on account of their experienced management, efficient working capital operations and reputed clientele. The outlook may be revised to 'Positive' in case of significant improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and

profitability or financial risk profile leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	611.64	684.19
PAT	Rs. Cr.	4.50	4.72
PAT Margin	(%)	0.74	0.69
Total Debt/Tangible Net Worth	Times	1.47	2.35
PBDIT/Interest	Times	1.83	1.86

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Consolidation of companies-<https://www.acuite.in/view-rating-criteria-60.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
05-March-2020	Cash Credit	Long Term	28.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Reaffirmed)
06-Feb-2019	Cash Credit	Long Term	24.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 (Reaffirmed)

*The issuer did not co-operate; Based on best available information.

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About Acuité Ratings & Research:

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