

Press Release

A S Steel Traders Vsp Private Limited

April 21, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	-	ACUITE A3+ Upgraded
Bank Loan Ratings	35.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.60.00 Cr bank facilities of A S Steel Traders (VSP) Private Limited (ASPL). The outlook remains '**Stable**'.

The rating upgrade is on account of significant improvement in the business risk position of the group which is expected to be sustained over the medium term. The group has achieved revenues of Rs.814 Cr till Feb'22 (Provisional), surpassing the revenues of FY21. Even though the freight cost for the group increased, the absolute EBITDA and PAT have increased in FY21 and are further expected to increase substantially in FY'22 driven by high turnover levels. MoU quantity with the group's top supplier, Rashtriya Ispat Nigam Limited (RINL) has steadily increased over the years signifying operational efficiency. The rating further draws comfort from the efficient working capital management of the group. However, the rating is partially constrained by the moderate financial risk position of the group, intense competition and inherent cyclical nature of steel industry.

About Company

Incorporated in 2003, A.S. Steel Traders (VSP) Private Limited (ASPL) is a Visakhapatnam based iron & steel trading company promoted by Mr. A. Nagesh, Mr. A. Magesh and Mr. A. Jagadish. The company primarily trades in customized steel products such as blooms and billets and all other products of iron and steel from eminent clients such as RINL, Jindal Steel and Power Ltd, Tata Steel Limited, GMR Infrastructure and many more to manufacturers and re-rollers situated in states such as Maharashtra, Karnataka, Gujarat and Chhattisgarh.

About the Group Company

Established in 1987, A S Steel Traders (ASST) is a partnership firm 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) and Steel Exchange India Limited. ASST has a 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.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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), together referred to as the 'A S Steel Group' (ASG) on account of same line of business, common management and significant operational linkages.

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. Over the years, the group has established a reputed clientele with diversified geographical presence. Acuité believes that the extensive experience of the management and long track record of operations will continue to support the business, going forward.

Improved business risk profile

ASG has been dealing with RINL as authorised distributor for more than a decade and has an MoU with the same for stock lifting from various locations, where the MoU quantity has an increasing y-o-y trend, hence enabling the group to gain better bargaining power. The group has added new customers in its customer base which will help to diversify its clientele. Further, the group has achieved gross revenues of Rs.814.04 Cr till Feb'22 (prov.) as against revenues of Rs.633.08 Cr in FY21. The growth in the top line in FY22 is on account of high demand of iron and steel products and thrust in the sector. Acuité believes the business risk position will be sustained over the medium term.

Efficient working capital cycle

The working capital cycle is efficient marked by Gross Current Asset (GCA) of 90 days in FY2021. The inventory days stood comfortable at 32 days in FY2021 as against 10 days in FY20. A S Steel Group (ASG) enjoys close proximity to the steel plant of RINL, resulting in timely availability of the products. However due to increase in sales, the group has to maintain stock of around 20-25 days in order to save lead time and ensure timely supply of products. The debtor days stood at 53 days in FY2021 compared to 55 days in FY2020. Acuité believes that the working capital operations of the group will remain at similar levels 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 networth base, high gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs.41.47 Cr as on 31st March, 2021 from Rs.37.85 Cr as on 31st March, 2020 due to accretion of reserves. Gearing of the company has increased and stood at 1.96 times as on 31st March, 2021 as compared to 1.47 times as on 31st March, 2020 as the group availed Covid loans. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.30 times as on 31st March, 2021 as against 2.46 times as on 31st March, 2020. The debt protection metrics of the company is healthy marked by Interest Coverage Ratio at 1.86 times and Debt Service Coverage Ratio is moderate at 1.57 times as on 31st March, 2021. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times as on 31st March, 2021. Acuité believes

that going forward the financial risk profile of the company will gradually improve over the medium term backed by steady accruals and no major debt funded capex plans.

Intense competition and inherent cyclical nature of steel industry

ASG 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, ASG's business risk profile is exposed to the inherent cyclical nature in these sectors.

Rating Sensitivities

- Improvement in the capital structure
- Sustenance of working capital cycle
- Any reduction in supply from potential supplier, RINL

Material Covenants

None

Liquidity Position: Adequate

The company's liquidity position is adequate marked by consistent net cash accruals of Rs.5.44 Cr in FY2021 as against long term debt repayment of Rs.0.70 Cr over the same period. The current ratio stood comfortable at 1.32 times as on March 31, 2021 as compared to 1.37 times as on March 31, 2019. The unencumbered cash and bank balances of the group stood at Rs.0.11 crores as on March 31, 2021 and the fund based limit remained utilised at 86 per cent over the six months ended February, 2022. However, the group has availed Covid loan of Rs.10.36 Cr till date. 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 ASG 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	633.08	611.64
PAT	Rs. Cr.	4.91	4.50
PAT Margin	(%)	0.78	0.74
Total Debt/Tangible Net Worth	Times	1.96	1.47
PBDIT/Interest	Times	1.86	1.83

About the Rated Entity - Key Financials (Standalone)

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	420.03	395.60
PAT	Rs. Cr.	3.40	2.94
PAT Margin	(%)	0.81	0.74
Total Debt/Tangible Net Worth	Times	1.62	1.00
PBDIT/Interest	Times	2.25	1.99

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Mar 2021	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A3 (Reaffirmed)
05 Mar 2020	Bank Guarantee	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Reaffirmed)
18 Feb 2019	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ Upgraded
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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