



Press Release
A S Steel Traders Vsp Private Limited
July 17, 2023
Rating Reaffirmed

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

Rating Rationale

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

Rationale for rating reaffirmation

The rating reaffirmation continues to reflect the stable operating performance of the group marked by the healthy scale of operations and comfortable profitability margins. The group has achieved revenues of Rs.835.95 Cr in FY2023 (Estimated) as against Rs.920.52 Cr in FY2022 and Rs.647.50 Cr in FY2021. The rating further draws comfort from established operations in the steel industry and extensive experience of the management which helped the group to establish relationships with steel players such as Rashtriya Ispat Nigam Limited (RINL), JSW Steel, TATA Steel among others.

The rating also factors in the efficient working capital cycle of the group reflected by the comfortable GCA days of 61 days in FY2023 (Estimated) as compared to 70 days in FY2022. However, the rating is offset by the moderate financial risk profile of the group and exposure to the inherent cyclical nature of steel industry.

About the Company

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

About the Group

Established in 1987, A S Steel Traders (ASST) is a partnership firm promoted by Mr. Nagesh Anumalisetty and Mr. Magesh Anumalisetty. ASST is an authorised distributor of steel products of Rashtriya Ispat Nigam Limited (RINL) and Steel Exchange India Limited. The firm 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

For arriving at the rating, Acuite 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.

Extent of Consolidation

Full

Key Rating Drivers

Strengths

Established relationship with OEMs buoyed by experienced management

Mr. Nagesh Anulmalisetty and his brothers possessing more than three decades of experience in the iron & steel industry are managing the group. The expertise of the management has aided in establishing and maintaining healthy relationship with OEMs.

AS group has been dealing with Rashtriya Ispat Nigam Limited (RINL) as an authorised distributor for more than a decade and has a MoU with the same for stock lifting from the locations of Visakhapatnam, Vijaywada, and Hyderabad. In addition to this, the group trades customized products of Jindal Steel, TATA Steel, BSL Private Limited to wide clientele located in states of Maharashtra, Karnataka, Gujarat and Chhattisgarh.

Acuité believes that, going forward, the extensive experience of the management and healthy relationships with the clientele will continue to support the growth plans of the group.

Stable business risk profile

The group has achieved healthy revenues of Rs.835.95 Cr in FY2023 (Estimated) as against Rs.920.52 Cr in FY2022 and Rs.647.50 Cr in FY2021. The operating income of the group is supported by healthy realizations. However, scale of the operations slightly moderated in FY2023 mainly due to a contraction in the steel demand by the end of the financial year on account of high inflation, increasing interest rates, and the international unrest due to Russian-Ukraine war. Despite the diminution in the demand, the level of operating income remained healthy.

Further, the operating margin of the group increased to 2.14 per cent in FY2023 (Estimated) as against 2.08 per cent in FY2022. The PAT margin also rose to 1.24 per cent in FY2023 (Estimated) as compared to 1.10 in FY2022.

Acuité believes that the level of operating income of the group will continue to remain healthy over the medium term supported by expansion in the steel demand owing to strong momentum in infrastructure spending and sustained growth in urban consumption.

Efficient working capital cycle

The efficient working capital cycle of the group is marked by Gross Current Asset (GCA) of 61 days in FY2023 (Estimated) as compared to 70 days in FY2022. The comfortable GCA days is on account of low inventory period and comfortable debtor cycle. The inventory days stood low at 23 days in FY2023 (Estimated) as against 31 days in FY2022 due to timely available stock owing to close proximity to the steel plant of Rashtriya Ispat Nigam Limited (RINL). Moreover, the debtor days stood at 24 days in FY2023 (Estimated) compared to 33 days in FY2022. Acuité believes that the working capital management of the group will continue to remain efficient as evident from the low inventory levels and the efficient collection mechanism over the medium term.

Weaknesses

Moderate financial risk profile

The company's moderate financial risk profile is marked by modest networth base, moderate gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.60.77 Cr as on 31st March, 2023 (Estimated) from Rs.50.44 Cr as on 31st March, 2022 due to accretion of reserves. The gearing of the company improved, but stood moderate at 1.28 times as on 31st March, 2023 (Estimated) as compared to 2.21 times as on 31st March, 2022 due to relaxation in the total debt burden. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.58 times as on 31st March, 2023 (Estimated) as against 2.83 times as on 31st March, 2022. The debt protection metrics of the company is comfortable marked by Interest Coverage Ratio at 2.93 times and Debt Service Coverage Ratio at 2.25 times as on 31st March, 2023 (Estimated). The Net Cash

Accruals/Total Debt (NCA/TD) stood at 0.14 times as on 31st March, 2023 (Estimated).

Acuité believes that going forward the financial risk profile of the company will continue to remain moderate on account of steady accruals and no major debt funded capex plans.

Intense competition and inherent cyclical nature of steel industry

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

Rating Sensitivities

- Improvement in the capital structure
- Sustenance of working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity position is adequate marked by steady net cash accruals of Rs.10.92 Cr in FY2023 (Estimated) as against long term debt repayment of only Rs.1.04 Cr over the same period. The current ratio stood comfortable at 1.67 times as on March 31, 2023 (Estimated) as compared to 1.29 times as on March 31, 2022. The cash and bank balances of the group stood at Rs.0.08 crore as on March 31, 2023 (Estimated) and the fund based limit remained moderately utilised at 72 per cent over the six months ended May, 2023. Moreover, the working capital cycle of the group is efficient marked by Gross Current Asset (GCA) of 61 days in FY2023 (Estimated) as compared to 70 days in FY2022.

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 cycle, healthy scale of 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	920.52	647.50
PAT	Rs. Cr.	10.12	4.91
PAT Margin	(%)	1.10	0.76
Total Debt/Tangible Net Worth	Times	2.21	1.96
PBDIT/Interest	Times	2.72	1.86

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- 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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Apr 2022	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
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)

Annexure - Details of instruments rated

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

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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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