

Press Release

Asansol Alloys Private Limited

APRIL 16, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.31 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 8.31 crore bank facilities of Asansol Alloys Private Limited (AAPL). The outlook is '**Stable**'.

Incorporated in 2007- Asansol Alloys Private Limited, is a West Bengal based engaged in manufacturing of ferro alloys such as silico manganese, ferro manganese etc for iron and steel industry with an annual installed capacity of 4756 tonnes. The company is managed by Mr. Joginder Singh and Ms. Kamaljit Kaur.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AAPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

The company has a long track record of over a decade in the manufacturing of ferro alloys such as silico manganese, ferro manganese. The long track record has helped the company to establish healthy relationship with the suppliers and customers.

Improvement in working capital management

The working capital management improvement as envisaged from the gross current asset (GCA) days of 64 days as on 31st March 2018 as against 108 days in the previous year. The improvement is on account of reduction inventory and other current assets. The inventory days improved to 40 days as on 31st March 2018 as against 52 days in the previous year.

Weaknesses

Modest scale of operations

The scale of operation is modest with revenue of Rs 33.84 crore in FY 2018 as compare to Rs 28.52 crore in FY 2017. During the current year the company has clocked revenue of Rs 37.41 crore till 31st March'19 (prov).

Moderate financial risk profile

The moderate financial risk profile is marked by low net worth, comfortable gearing and debt protection measures. The net worth of the company stood at Rs.6.43 crore as on 31st March 2018 as

against Rs.4.55 crore in the previous year. The gearing of the company stood at 0.16 times as on 31st March 2017 as against 0.87 times in the previous year. The total debt of Rs.1.01 crore as on 31st March 2018 consist of working capital loan of Rs.0.99 crore and long term borrowings of Rs.0.02 crore. The interest coverage ratio stood at 6.59 times in FY2018 as against 2.47 times in the previous year. DSCR stood at 3.28 times in FY2018 as against 1.07 times in the previous year. Though the debt protection metrics is healthy, going forward Acuité expects marginal deterioration in the debt protection metrics on account of the capex of Rs 13 crore undertaken to enhance the installed capacity.

Intense competition and fragmented nature of business

The company is operating in a highly fragmented industry marked by various organized and unorganized players hence limiting the bargaining power of the company which may impact the profitability.

Liquidity:

The company has moderate liquidity profile marked by net cash accruals of ~ Rs.2.55 crore during FY 2018 crore against its nil debt obligations during the same period. The fund based working capital limit remains utilised at ~ 80 per cent level on an average.

Outlook: Stable

Acuité believes that AAPL will maintain 'Stable' outlook over the medium term from experienced management. The outlook may be revised to 'Positive' in case the company registers growth in revenues while improving its profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in profitability, thereby deterioration in financial risk profile or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.84	28.52	30.40
EBITDA	Rs. Cr.	3.00	1.88	0.42
PAT	Rs. Cr.	1.88	0.34	0.06
EBITDA Margin	(%)	8.86	6.61	1.39
PAT Margin	(%)	5.55	1.20	0.21
ROCE	(%)	32.72	12.37	10.37
Total Debt/Tangible Net Worth	Times	0.16	0.87	1.46
PBDIT/Interest	Times	6.59	2.47	2.11
Total Debt/PBDIT	Times	0.34	2.10	3.23
Gross Current Assets (Days)	Days	64	108	125

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.85	ACUITE BB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.46	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+

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About Acuité Ratings & Research:

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