

Press Release

Asansol Alloys Private Limited

July 19, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.02	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	9.50	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	32.52	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 the short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.32.52 Cr bank facilities of Asansol Alloys Private Limited. The outlook is '**Stable**'.

The rating upgrade is driven by the significant increase in the turnover and profitability levels of the company marked by a sharp improvement in average realisations supported by a volume enhancement during FY2022. The rating upgrade also factors the substantial improvement in financial risk profile mainly due to increased accruals which have led to a significant improvement in the capital structure of the company. Further, the rating factor on the adequate liquidity of the company is marked by healthy net cash accruals and moderate utilization of working capital facility for the last six months ended June 2022.

About the Company

Asansol Alloys Private Limited (AAPL) was established in 2007 by Mr. Joginder Singh, Mrs. Kamaljit Kaur and Mr. Tejpal Singh. The company is engaged in the manufacturing of silico manganese with an installed capacity of 21000 MTPA. The manufacturing unit is located at Asansol, West Bengal. The day-to-day operations are managed by Mr. Joginder Singh and Mr. Tejpal Singh.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of AAPL to arrive at the rating.

Key Rating Drivers

Strengths

Long experience of the promoters and established relationship with customers & suppliers-

The promoter directors of the company Mr. Joginder Singh and Mrs. Kamaljit Kaur have been engaged in the ferro alloy industry over a decade. This has helped the company in establishing relationship with its suppliers and customers which helps in bagging advance orders. Acuité believes that the promoters' extensive understanding and expertise of the business and healthy relations with customers and suppliers will continue to support the business going forward.

Healthy scale of operation coupled with healthy profitability margin-

The revenue of the company stood healthy at Rs.195.13 crore in FY2022 (Prov.) as compared to Rs.100.57 crore in the previous year. This improvement in revenue is on account of increase in average realization per unit during the period along with increase in volume sales. Going forward, Acuité believes that maintaining this growth momentum would be a key credit monitorable.

The operating profitability margin of the company stood healthy at 17.47 per cent in FY2022 (Prov.) as against of 6.88 per cent in the previous year. This increase in operating profitability margin is on account of higher price realisation during the period. Acuité believes that the operating profitability margins of the company will be lenient going forward on account of moderation in iron and steel prices globally despite of steady demand and established market presence. The net profitability margin of the company also stood healthy at 16.08 per cent in FY2022 (Prov.) as compared to 0.77 per cent in the previous year.

Healthy financial risk profile-

The financial risk profile of the company is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs.42.45 crore in FY 2022 (Prov.) as compared to Rs. 10.57 crore in FY2021. This improvement in network is mainly due to the retention of profit during FY2022. The gearing of the company stood at 0.45 times as on March 31, 2022 (Prov.) when compared to 2.13 times as on March 31, 2021. Interest coverage ratio (ICR) is strong and stood at 19.96 times in FY2022 (Prov.) as against 3.80 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood strong at 15.00 times in FY2022 (Prov.) as compared to 2.33 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 1.35 times in FY2022 (Prov.) as compared to 0.14 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Working capital management

The working capital management of the company is marked by high gross current asset (GCA) days of 123 days in FY2022 (Prov.) as compared to 129 days in the previous year. This high GCA day of the company is mainly due to high inventory holding for raw material during the period. The inventory holding period of the company stood high at 113 days in FY2022 (Prov.) as compared to 114 days in the previous year. The debtor days of the company stood comfortable at 5 days in FY2022 (Prov.) as compared to 14 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Highly fragmented and intensely competitive industry

The Ferro Alloys industry is marked by the presence of a large number of organized and unorganized players owing to low entry barriers. The company faces intense competition from the presence of several mid to large sized players in the said industry. The presence of a large number of players has a direct impact on pricing, restricts bargaining power having an adverse impact on margins.

Rating Sensitivities

- Revenue growth momentum maintenance
- Sustenance of their conservative capital structure
- Working capital management

Material covenants

None

Liquidity Position

The company has adequate liquidity position marked by healthy net cash accruals of Rs.25.61 crore as against only Rs. 0.10 of long term debt obligations in FY2022 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 11.81 crore to Rs. 12.70 crore during 2023-24 as against of Rs.1.37 in FY2023 and Rs.1.54 in FY2024 of long term debt obligations respectively. The bank limit of the company has been only 67 percent utilized during the last six months ended June 2022. The current ratio of the company stood comfortable at 1.65 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the company stood high at 123 days in FY2022 (Prov.). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against the long debt repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on AAPL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and healthy business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its capital structure, hence expanding its network base. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to further deterioration of its gearing and liquidity position.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	195.13	100.57
PAT	Rs. Cr.	22.74	0.77
PAT Margin	(%)	11.65	0.77
Total Debt/Tangible Net Worth	Times	0.45	2.13
PBDIT/Interest	Times	19.96	3.80

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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
23 Jun 2021	Proposed Bank Facility	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	0.90	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.80	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.97	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.85	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
29 Apr 2021	Letter of Credit	Short Term	3.00	ACUITE A4 (Withdrawn and Issuer not co-operating*)
	Cash Credit	Long Term	4.85	ACUITE B+ (Withdrawn and Issuer not co-operating*)
	Term Loan	Long Term	0.46	ACUITE B+ (Withdrawn and Issuer not co-operating*)
25 Jun 2020	Term Loan	Long Term	0.46	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.85	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
16 Apr 2019	Cash Credit	Long Term	4.85	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.46	ACUITE BB- Stable (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A3+ Upgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.85	ACUITE BBB Stable Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Stable Upgraded
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3+ Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.34	ACUITE BBB Stable Upgraded
State Bank of India	Not Applicable	Term Loan	14-02-2019	9.15	30-06-2025	9.74	ACUITE BBB Stable Upgraded
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	0.39	ACUITE BBB Stable Upgraded
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.80	ACUITE BBB Stable Upgraded
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	0.90	ACUITE BBB Stable Upgraded

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About Acuité Ratings & Research

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