



**Press Release**  
**Asansol Alloys Private Limited**  
**October 09, 2023**

**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.05	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	16.97	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	5.95	-	ACUITE A3+   Assigned
Bank Loan Ratings	15.55	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	38.52	-	-

**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.32.52 Cr bank facilities of Asansol Alloys Private Limited.

Acuite has assigned 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.6.00 Cr bank facilities of Asansol Alloys Private Limited.

The outlook is '**Stable**'

**Rationale for the rating**

The rating is driven by the established track record of operation and long-standing experience of the promoters in the business, low gearing and healthy relationship with customers. The rating also factors in the moderate financial risk profile and adequate liquidity of the company marked by sufficient net cash accruals and moderate utilization of working capital facility for the last six months ended June 2023. The company is currently undertaking capital expenditure towards enhancing the installed capacity by 26000 tons. The capex, post its completion is estimated to aid the company in improving its operating margins due to increased cost efficiencies on account of reduced material and power costs. The capex is expected to be completed by October 2024. Further, the rating is constrained by working capital intensive nature of operations, moderation in scale of operations and profitability margins, highly fragmented and intensely competitive industry.

**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 22000 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.

**Standalone (Unsupported) Rating**

Not Applicable



Acuité 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.

The revenue of the company stood at Rs.188 crore in FY2023 (Prov.) as compared to Rs.195 crore in the previous year. The slight moderation in the revenue is on account of decrease in average realization per unit during the period along with increase in volume sales. Also, the company utilized ~96% of its total installed capacity during FY2023 as against of ~93% capacity utilization in FY2022, mainly due to high demand from the steel industry during the period. Further, the operating profitability margin of the company stood at 4.35 per cent in FY2023 (Prov.) as against of 14.61 per cent in the previous year. The deterioration in operating profitability margin is on account of increase in prices of coal along with other manufacturing cost. The net profitability margin of the company also stood at 2.36 per cent in FY2023 (Prov.) as compared to 9.09 per cent in the previous year.

Acuité believes that the 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. However, that the promoters' extensive understanding and expertise of the business and healthy relations with customers and suppliers will continue to support the business.

### Moderate financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.32.74 crore as on 31 March 2023 (Prov) as against Rs.28.31 crore as on 31 March, 2022. The total debt of the company for FY2023 (Prov) stood at Rs.17.41 crore includes Rs.5.62 crore of long-term debt, Rs.10.33 crore of short term debt, and Rs.1.46 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood low at 0.53 times as on 31 March, 2023 (Prov) as against 0.67 times as on 31 March, 2022. Interest Coverage Ratio stood at 5.39 times for FY2023 (Prov) as against 17.06 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.56 times in FY2023 (Prov) as against 11.84 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.76 times as on 31 March, 2023 (Prov) as against 2.06 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.35 times for FY2023 (Prov) as against 1.04 times for FY2022.

Going forward, Acuité believes the financial risk profile of the company will remain moderate on account of steady net cash accruals.

### Weaknesses

#### **Working Capital Moderately Intensive Operations**

The working capital management of the company is moderately intensive marked by GCA days of 119 days in FY2023 (Prov) as against 106 days in FY2022 albeit improved debtor and inventory days. The debtor days stood at 09 days in FY2023 (Prov) as against 05 days in FY2022. The company majorly deals with advance payment. But for the merchant exports, the average credit period allowed is around 07-10 days. The creditor days stood at 37 days in FY2023 (Prov) as against 62 days in FY2022. The average credit period allowed by suppliers is 30-45 days. The inventory holding period of the company stood at 78 days in FY2023 (Prov) as against 92 days in FY2022. The average inventory holding period is around 2-3 months. The average consolidated fund-based bank limit utilization for the past 06 months ending June 2023 is ~75-80% of the sanctioned amount.

Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

### **Implementation risk of ongoing capex**

AAPL has initiated a project that involves adding 2 more units in Asansol, West Bengal to manufacture silico manganese. The company is in plan to increase the installed capacity by 26000 tons. The project will be started by the company in February 2024 and the anticipated date of completion is October 2024. Further, the start date of commercial production is expected to be in November 2024. The total cost of the project is Rs.36.90 Cr, funded by Rs.4.00 Cr of Unsecured Loan/Promoters Contribution, Rs.22.00 of bank loan and balance amount through company's internal accrual. The cost incurred by the company as on August 31, 2023 is Rs.2.68 Cr which is ~7.26 percent of the total project cost.

Acuité believes that timely completion of the ongoing project without significant cost overruns will be critical towards improvement in the business risk profile of the company over the medium term and thus will remain a key rating sensitivity factor.

### **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**

- Ability to maintain the scale of operations while improving the profitability margins
- Ability to maintain the working capital cycle
- Timely completion of the ongoing capex

### **All Covenants**

Not Available

### **Liquidity Position**

#### **Adequate**

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.3.18-19.84 Crore from FY 2021- 2023 (Prov) against its maturing debt obligations in the range of Rs.0.10-1.46 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.8.02-8.93 crores against the maturing repayment obligations of around Rs.1.64-1.84 crore over the medium term. The working capital management of the company is moderately intensive marked by GCA days of 119 days in FY2023 (Prov) as against 106 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.1.79 crore as on March 31, 2023 (Prov). The current ratio stands at 1.36 times as on March 31, 2023 (Prov) as against 1.11 times as on March 31, 2022. The average consolidated fund-based bank limit utilization for the past 06 months ending June 2023 is ~75-80% of the sanctioned amount. The average consolidated BG utilization for past 09 months ending September 2023 is ~60-70 percent of the sanctioned amount.

Acuité believes that the liquidity of AAPL is likely to remain adequate over the medium term on account of sufficient net cash accruals against its maturing debt obligations.

### **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 of higher-than-expected improvement in its operating income and profitability margins while maintaining its capital structure. 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.

### **Other Factors affecting Rating**

None



## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	187.64	195.13
PAT	Rs. Cr.	4.43	17.74
PAT Margin	(%)	2.36	9.09
Total Debt/Tangible Net Worth	Times	0.53	0.67
PBDIT/Interest	Times	5.39	17.06

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jul 2022	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Short Term	6.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	9.74	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Working Capital Term Loan	Long Term	1.80	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Working Capital Term Loan	Long Term	0.90	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Working Capital Demand Loan	Long Term	0.39	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Bank Facility	Long Term	0.34	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	4.85	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	3.00	ACUITE A3+ (Upgraded from ACUITE A3)
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*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.05	ACUITE A3+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.95	ACUITE A3+   Assigned
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE A3+   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	ACUITE BBB   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	14 Feb 2019	9.15	30 Jun 2025	Simple	5.60	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.37	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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