



Press Release
ASANSOL ALLOYS PRIVATE LIMITED
March 07, 2025
Rating Upgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|----------------------|
| Bank Loan Ratings | 17.02 | ACUITE BBB- Stable Upgraded | - |
| Bank Loan Ratings | 21.50 | - | ACUITE A3 Upgraded |
| Total Outstanding Quantum (Rs. Cr) | 38.52 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has upgraded the long-term rating to 'ACUITE BBB-' (read as ACUITE triple B minus) from 'ACUITE BB+' (read as ACUITE double B plus) and the short-term rating to 'ACUITE A3' (read as ACUITE A three) from 'ACUITE A4+' (read as ACUITE A four plus) on the Rs.38.52 Cr. bank facilities of Asansol Alloys Private Limited. The outlook is 'Stable'.

Rationale for rating upgrade

The Rating upgrade considers the migration of the rating from 'Issuer Not Cooperating'. The rating also factors in the long-standing experience of the promoters and healthy relationship with customers. The rating also factors in the moderation in operating performance and moderate financial risk profile. However, the rating is constrained on account of moderately intensive working capital operations of the company and presence in highly fragmented and competitive industry.

About the Company

Asansol Alloys Private Limited (AAPL) was incorporated 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.

Unsupported Rating

Not Applicable

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 promoters 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, the promoters' extensive experience and expertise of the business and healthy relations with customers and suppliers will continue to support the business.

Moderation in operating performance

The revenue of the company stood at Rs.151.87 crore in FY2024 as compared to Rs.187.35 crore in the previous year. The slight moderation in the revenue is on account of decrease in average realization per unit during the period. Also, the company fully utilized its total installed capacity during FY2024 as against of ~96% capacity utilization in FY2023. Further, the operating profitability margin of the company stood at 4.26 per cent in FY2024 as against of 4.09 per cent in the previous year. The improvement in operating profitability margin is on account of decline in raw material cost. The net profitability margin of the company also stood at 1.79 per cent in FY2024 as compared to 1.91 per cent in the previous year.

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.34.61 crore as on 31 March 2024 as against Rs.31.90 crore as on 31 March, 2023. The total debt of the company for FY2024 stood at Rs.15.20 crore includes Rs.1.68 crore of long-term debt, Rs.11.60 crore of short term debt, and Rs.1.92 crore of CPLTD as on 31 March, 2024. The gearing (debt-equity) stood low at 0.44 times as on 31 March, 2024 as against 0.55 times as on 31 March, 2023. Interest Coverage Ratio stood at 5.69 times for FY2024 as against 5.04 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 2.42 times in FY2024 as against 2.40 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.19 times as on 31 March, 2024 as against 1.80 times as on 31 March, 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.30 times for FY2024 as against 0.32 times for FY2023.

Ongoing Capex Plan

The company is currently implementing a CAPEX plan of Rs.36.9 Cr. to increase overall capacity by 26,000 MT. Initially it was expected to be operational by November 2024, the project has been delayed due to delay in receiving approvals and permissions from the central government and the Ministry of Environment and Forests, since there has been certain changes in the recent amendments.

Further Now, the CAPEX plan will be executed in two phases, each adding 13,000 MT of capacity. The first phase is now expected to be operational by October 2025, and the second phase by August 2026. Despite the delays, there has been no cost escalation, and the total investment remains at ₹36.9 crore which was funded by Rs.4.00 Cr. of Unsecured Loan/Promoters Contribution, Rs.22.00 Cr. of bank loan and balance amount through company's internal accrual.

Acuité believes that timely completion of the ongoing project without significant cost overruns will be critical factor. However it will not have major impact on the financial risk profile of the company.

Weaknesses

Moderately Intensive Working Capital Operations

The working capital management of the company is moderately intensive marked by GCA days of 108 days in FY2024 as against 111 days in FY2023. The debtor days stood at 6 days in FY2024 as against 12 days in FY2023. 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 95 days in FY2024 as against 114 days in FY2023. The average credit period allowed by suppliers is 30-45 days. The inventory holding period of the company stood at 97 days in FY2024 as against 77 days in FY2023. The average inventory holding period is around 2-3 months. The average consolidated fund-based bank limit utilization for the past 06 months ending December 2024 is ~94.19% of the sanctioned amount and Non fund based utilisation for the same period is ~70.63%.

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

Highly fragmented and 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 improve the scale of operations while improving the profitability
- Working capital management
- Changes in financial risk profile owing to higher-than expected debt funded capex

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 of Rs.4.62 crore as against repayment obligation of Rs.1.17 crore during FY2024. The NCA are expected to remain in the range of Rs.5.4 – 6.5 crore against its maturing debt obligations in the range of Rs.2.00-2.20 crore during FY2025-FY2026. The company maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2024. The current ratio stands at 1.22 times as on March 31, 2024 as against 1.12 times as on March 31, 2023. The average consolidated fund-based bank limit utilization for the past 06 months ending December 2024 is ~94.19 per cent of the sanctioned amount and Non fund based utilisation for the same period is ~70.63 per cent.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 151.87 | 187.35 |
| PAT | Rs. Cr. | 2.71 | 3.59 |
| PAT Margin | (%) | 1.79 | 1.91 |
| Total Debt/Tangible Net Worth | Times | 0.44 | 0.55 |
| PBDIT/Interest | Times | 5.69 | 5.04 |

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

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, 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 |
|-------------|------------------------------------|------------|-----------------|---|
| 27 Dec 2024 | Letter of Credit | Short Term | 2.00 | ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 6.50 | ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+) |
| | Bank Guarantee (BLR) | Short Term | 7.05 | ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+) |
| | Bank Guarantee (BLR) | Short Term | 5.95 | ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+) |
| | Term Loan | Long Term | 5.60 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| | Cash Credit | Long Term | 5.00 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| | Cash Credit | Long Term | 5.00 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| | Cash Credit | Long Term | 1.00 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| | Working Capital Term Loan | Long Term | 0.37 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| | Proposed Long Term Bank Facility | Long Term | 0.05 | ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable) |
| 09 Oct 2023 | Letter of Credit | Short Term | 2.00 | ACUITE A3+ (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 6.50 | ACUITE A3+ (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 7.05 | ACUITE A3+ (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 5.95 | ACUITE A3+ (Assigned) |
| | Cash Credit | Long Term | 1.00 | ACUITE BBB Stable (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE BBB Stable (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE BBB Stable (Reaffirmed) |
| | Term Loan | Long Term | 5.60 | ACUITE BBB Stable (Reaffirmed) |
| | Working Capital Term Loan | Long Term | 0.37 | ACUITE BBB Stable (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 0.05 | ACUITE BBB Stable (Assigned) |
| 19 Jul 2022 | Letter of Credit | Short Term | 3.00 | ACUITE A3+ (Upgraded from ACUITE A3) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 6.50 | ACUITE A3+ (Upgraded from ACUITE A3) |
| | Cash Credit | Long Term | 4.85 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Working Capital Term Loan | Long Term | 0.90 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Cash Credit | Long Term | 5.00 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | 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 Demand Loan (WCDL) | Long Term | 0.39 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |
| | Proposed Long Term Bank Facility | Long Term | 0.34 | ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|----------------------|----------------------|------------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|---|
| HDFC Bank Ltd | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 7.05 | Simple | ACUITE A3 Upgraded (from ACUITE A4+) |
| HDFC Bank Ltd | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 5.95 | Simple | ACUITE A3 Upgraded (from ACUITE A4+) |
| State Bank of India | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 6.50 | Simple | ACUITE A3 Upgraded (from ACUITE A4+) |
| Punjab National Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 1.00 | Simple | ACUITE BBB- Stable Upgraded (from ACUITE BB+) |
| HDFC Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 5.00 | Simple | ACUITE BBB- Stable Upgraded (from ACUITE BB+) |
| State Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 5.00 | Simple | ACUITE BBB- Stable Upgraded (from ACUITE BB+) |
| Punjab National Bank | Not avl. / Not appl. | Letter of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 2.00 | Simple | ACUITE A3 Upgraded (from ACUITE A4+) |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 1.85 | Simple | ACUITE BBB- Stable Upgraded (from ACUITE BB+) |
| State Bank of India | Not avl. / Not appl. | Term Loan | 14 Feb 2019 | Not avl. / Not appl. | 30 Jun 2025 | 4.17 | Simple | ACUITE BBB- Stable Upgraded (from ACUITE BB+) |

Contacts

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