

## Anindita Steels Limited

October 29, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 30.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- /Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A3 (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 30.00 crore bank facilities of Anindita Steels Limited. The outlook is '**Stable**'.

Incorporated in 1995, Anindita Steels Limited, is a Jharkhand based company engaged in manufacturing of sponge iron with an annual installed capacity of 120000 Mt. In addition, the company has a captive iron ore mine. Currently, the operations are managed by Mr. Sandeep Gupta, Mr. Deepak Rungta, Mr. Vedant Rungta and Mr. Firoz Abdi.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of ASL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

Incorporated in 2005, the company has a track record of more than a decade. The director, Mr. Deepak Kumar Rungta and other directors have experience of more than two decades in the iron & steel industry. The experience of management and the track record of operations have helped the company to establish a healthy relationship with its customers and suppliers. The company under the current management has been able to improve its revenue to Rs 150.70 crores in FY 2019 from Rs 85.40 crores in FY 2018 thereby registering a y-o-y growth of 76.45 per cent.

- **Proximity to raw materials**

The key raw materials for manufacturing of sponge iron are iron ore and coal. The company's manufacturing unit is in Hazaribag, Jharkhand. ASL has proximity to raw materials along with low transportation cost. In addition, the company has an iron ore mine in Singbhum District of Jharkhand which was allotted an area of 116.50 acres in 2007 for 30 years. Currently nearly 5 per cent of the iron ore requirement is met from the captive mining.

- **Comfortable Financial Risk Profile**

The financial risk profile of ASL remains above average marked by moderate net worth, comfortable gearing and healthy debt coverage indicators. The tangible net worth stood at Rs 38.08 crores as on 31st March, 2019 (Provisional) as against Rs 35.58 crores in the previous year. The gearing stood comfortable at 0.89 times as on 31st March, 2019 (Provisional) as against 1.04 times as on 31st March, 2018. The total debt of Rs 33.72 as on 31st March, 2019 (Provisional) consists of long term loan of Rs 5.83 crores, unsecured loans from promoters of Rs 4.51 crores, short term debt of Rs 22.76 crores and current maturities of long term debt (CPLTD), of Rs 0.62 crores. The debt protection metrics stood healthy marked by interest coverage ratio of 2.46 times in FY 19 (Provisional) as against 2.17 times in the previous year. Debt Service Coverage Ratio (DSCR) stood comfortable at 2.26 times in FY 19 (Provisional) as compared to 2.11 times in FY 18. Net Cash Accruals/Total Debt (NCA/TD) stood 0.16 times as on 31st March, 2019 as against 0.11 times as on 31st March, 2018.

## Weaknesses

- **Working Capital Intensive Nature of Operations**

The company's working capital operations are intensive marked by Gross Current Asset (GCA) days of 170 days in FY 19 (Provisional), as against 301 days in FY 18 and 300 days in FY 17. The GCA days are dominated mainly on account of high inventory days of 109 days in FY 19 (Provisional) as against 150 days in FY 18. The debtor days stood at 29 days for FY 2019 (Provisional) as against 91 days in FY 2018. Further, the working capital intensity is reflected from the ~94 percent utilisation of its bank limit during the last 14 months ended May'19. Acuité expects the operations of the company to remain working capital intensive on account of the high inventory levels maintained by the company.

- **Presence in highly competitive and fragmented industry**

ASL operates in a highly competitive and fragmented industry with presence of large number of players.

## Liquidity Profile

ASL's liquidity profile has adequate liquidity position marked by net cash accruals as against its maturing debt obligations. The company generated cash accruals of Rs 3.27-5.41 crores during the period 2017-2019 (Provisional), while its maturing debt obligations were Rs 0.62 crores over the same period. The bank limit of the company remains utilized at ~94 percent during the 14 months period ended May,2019. The company maintains unencumbered cash and bank balances of Rs 0.34 crores as on 31st March, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals and no major repayments over the medium term.

## Outlook: Stable

Acuité believes that ASL will maintain a 'Stable' outlook over the medium term from the experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of significant improvement in its scale of operations, profitability and working capital intensity. Conversely, the outlook may be revised to 'Negative' in case of any significant dip in revenue, profitability or deterioration in its financial risk profile owing to higher than expected working capital requirement.

## About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	150.70	85.40	83.43
EBITDA	Rs. Cr.	10.55	7.86	6.63
PAT	Rs. Cr.	2.32	1.37	0.58
EBITDA Margin	(%)	7.00	9.21	7.95
PAT Margin	(%)	1.54	1.61	0.69
ROCE	(%)	10.16	7.13	12.85
Total Debt/Tangible Net Worth	Times	0.89	1.04	0.99
PBDIT/Interest	Times	2.46	2.17	1.97
Total Debt/PBDIT	Times	3.18	4.74	4.71
Gross Current Assets (Days)	Days	170	301	300

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

None

## Any other information

Not Applicable

## Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.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	25.00	ACUITE BBB-/Stable (Assigned)
Proposed fund based facility	Not Applicable	Not Applicable	Not Applicable	1.68	ACUITE BBB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.32	ACUITE A3 (Assigned)

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**About Acuité Ratings & Research:**

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