

Press Release

Anindita Steels Limited

January 22, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 30.00 crore
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

Rating Rationale

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

Incorporated in 1995, Anindita Steels Limited (ASL) is a Jharkhand based company engaged in manufacturing of sponge iron with an installed capacity of 1,20,000 MTPA (4 kiln of 30,000 MTPA each). The manufacturing facilities are located at Hazaribagh, Jharkhand. The company is currently headed by Mr. Sandeep Gupta, Mr. Deepak Rungta, Mr. Vedant Rungta and Mr. Firoz Abdi.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

Established in 1995, ASL has a long operational track record of twenty five years in the sponge iron manufacturing business. The directors, Mr. Deepak Kumar Rungta and Mr. Firoz Abdi have experience of more than two decades in the iron & steel industry. The operating income of the company has grown from Rs.85.40 crores in FY2018 to Rs.184.31 crores in FY 2020 at a CAGR of 29.23 per cent. Acuite believes that the long standing experience of the promoters and the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

• Comfortable financial risk profile

The company's comfortable financial risk profile is marked by moderate net worth, comfortable gearing and strong debt protection metrics. The net worth of the company increased to Rs.40.92 crores as on March 31, 2020, compared to Rs.38.09 crores on March 31, 2019 due to retention of profits. The company's gearing stood comfortable at 0.86 times on 31 March, 2020 as against 0.89 times as on 31 March, 2019. The debt of Rs.35.17 crores mainly consists of cash credit of Rs.23.85 crores, unsecured loans of Rs.5.26 crores, vehicle loan of Rs.4.57 crores and maturing obligations of Rs.1.49 crores as on March 31, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 2.92 times in FY2020 as against 2.38 times in FY2019 and Debt Service Coverage Ratio (DSCR) at 2.54 times in FY2020 as against 2.14 times in FY2019. The NCA/TD (Net Cash accruals to total debt) stood at 0.17 times in FY2020. Acuite believes that going forward the financial risk profile of the company will remain at similar levels over the medium term backed by steady accruals and absence of debt funded capital expenditure plans.

• Proximity to raw materials

The company's manufacturing facilities are located at Jharkhand, which is in close proximity to various steel plants and various producers and dealers of its main raw materials (i.e. iron ore, coal and dolomite). Further, the facilities are well connected through road and rail transport that ensures easy transportation of raw materials and finished goods. Proximity of the manufacturing facilities to source of raw-material and end market for its sponge iron results in lower transportation and logistics costs.

Weaknesses

• Working capital intensive operations

The company's working capital intensive nature of operations is marked by high Gross Current Asset (GCA) days of 159 in FY2020 compared to 171 days in FY2019. The GCA days resonates from high inventory days to 127 days in FY2020 as against 108 days in FY2019. The company maintains high inventory level, especially of iron ore during the year end in anticipation of shortage during the rainy season. The debtor days stood at 23 days in FY2020 as against 29 days in FY2019. Acuite expects the operations of the company to remain working capital intensive on account of the high inventory levels maintained by the company to ensure uninterrupted production.

• Intense competition and inherent cyclicality of the steel industry

ASL's profitability is susceptible to volatility in raw material prices. The company operates in highly fragmented and competitive industry which consists of large number of organised and un-organised players. Prospects of the steel industry are strongly co-related to economic cycles. Demand for steel is sensitive to trends of particular industries including automotive, construction, infrastructure and consumer durables, which are the key consumers of steel products. These key user industries, in turn, depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates in the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand.

Rating Sensitivity

- Improvement in working capital management
- Sustenance of the financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity position is adequate marked by healthy cash accruals of Rs.5.96 crores in FY2020 against debt repayments of Rs.0.98 crores during the last financial year. The current ratio stood comfortable at 1.60 times as on March 31, 2020 as compared to 1.65 times as on March 31, 2019. The fund based limit remains utilized at 73 percent over seven months ended on November, 2020. ASL has availed both loan moratorium and a covid loan of Rs. 9 crores. The unencumbered cash and bank balances stood at Rs.0.24 crores as on March 31, 2020. Acuite believes that the liquidity of the company will remain at similar levels on account of healthy cash accruals over the medium term.

Outlook: Stable

Acuite believes ASL will continue to benefit over the medium term backed by its experienced management, established track record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins while maintaining its working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability and operating revenue leading to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	184.31	150.70
PAT	Rs. Cr.	2.83	2.33
PAT Margin	(%)	1.54	1.54
Total Debt/Tangible Net Worth	Times	0.86	0.89
PBDIT/Interest	Times	2.92	2.38

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

Infomerics vide its press release dated 1st December, 2020 has mentioned the rating for ASL of 'IVR BB/A4 Issuer not cooperating'.

Any other information

Not Applicable

Applicable Criteria

- 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>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Oct-2019	Cash Credit	Long Term	25.00	ACUITE BBB-/Stable (Assigned)
	Proposed bank facility	Long Term	1.68	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.32	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/ Stable (Reaffirmed)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.68	ACUITE BBB-/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.32	ACUITE A3 (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in</p> <p>Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 shubham.ghosh@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.