



Press Release
ANINDITA STEELS LIMITED
 July 07, 2023
 Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.68	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	3.32	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

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 Cr bank facilities of Anindita Steels Limited (ASL). The outlook remains 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation factors in the stable business risk profile of the company marked by steady operating income of Rs. Rs.299.94 Cr in FY2023 (Provisional) as against Rs.252.19 Cr in FY2022. The rating also considers the long standing operations of ASL in the iron and steel industry backed by the extensively experienced management and the efficient working capital operations. The rating further takes into account the above average financial risk profile marked by low gearing at 0.44 times as on March 31, 2023 (Provisional) and healthy interest coverage ratio at 3.63 in FY2023 (Provisional).

However, these strengths are, offset by the moderate profitability margins of ASL and the exposure to the highly competitive industry.

About the Company

Incorporated in 1995, Anindita Steels Limited (ASL) is based in Jharkhand and is managed by Mr. Deepak Rungta, Mrs. Sonakshi Rungta and Mr. Firoz Abdi. ASL is engaged in manufacturing of Sponge Iron. The company has a production capacity of 1,20,000 MTPA which includes 4 kilns each having a capacity of 30,000 MTPA.

Analytical Approach

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

Key Rating Drivers Strengths

Established track record of operations along with experienced management
ASL has a long track record of operations of over 15 years. Moreover, the Directors, Mr. Deepak Kumar Rungta, Mrs. Sonakshi Rungta and Mr. Firoz Abdi have an extensive experience of more than two decades in the iron & steel industry.

Acuité believes that the experienced management and the long standing operations of the company will continue to benefit in establishing and maintaining healthy clientele relationships.

Stable business risk profile aided by proximity to raw material sources

The company achieved steady revenues over the years. The operating income increased to Rs.299.94 Cr in FY2023 (Provisional) as compared to Rs.252.19 Cr in FY2022 and Rs.174.69 Cr in FY2021. The scale of operations in FY2023 is supported by the favourable demand scenario and the increased capacity utilisation over the same period. Further, the company achieved Rs.52.84 Cr till May, 2023 (Provisional).

Moreover, the company is located in 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). It is well connected through road and rail transport that ensures easy transportation of raw materials and finished goods.

Acuité believes that, going forward, improvement in the capacity utilisation supported by steady demand for sponge iron will continue to support the operating performance of the company.

Above average financial risk profile

The financial risk profile of the company is above average marked by moderate net worth, low gearing and comfortable debt protection metrics. The net worth of the company slightly rose to Rs.49.06 Cr as on 31 March, 2023 (Provisional) as compared to Rs.45.61 Cr as on 31 March 2022 due to accretion of reserves. The gearing of the company improved to 0.44 times as on March 31, 2023 (Provisional) when compared to 0.63 times as on March 31, 2022 owing to reduction in the debt burden. Further, the Interest Coverage Ratio (ICR) stood healthy at 3.63 times in FY2023 (Provisional) as against 2.82 times in FY2022. The debt service coverage ratio (DSCR) stood moderate at 1.91 times in FY2023 (Provisional) as compared to 2.01 times in the previous year. The Net Cash Accruals to total debt (NCA/TD) stood moderate at 0.30 times in FY2023 (Provisional) and 0.19 times the previous year.

Acuité believes the financial risk profile of the company will improve further owing to the gradually improving cash accruals and no major debt funded capex plan over the medium term.

Weaknesses

Moderate profitability margins

The PAT margin of the company stood at a moderate level of 1.15 per cent in FY2023 (Provisional) as against 1.01 per cent in FY2022. However, the operating profitability margin dipped to 3.53 per cent in FY2023 (Provisional) from 4.02 per cent in FY2022 due to the elevated cost of coking coal.

Acuité believes that, going forward, improvement in the profitability margins will be key monitorable.

Highly competitive and fragmented 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, viz, 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 Sensitivities

- Growing scale of operations along with improvement in profitability
- margins Sustenance of the financial risk profile

Material covenants

None

Liquidity Position: Adequate

The liquidity position of the company stood adequate marked by comfortable net cash accruals of Rs.6.40 Cr in FY2023 (Provisional) as against long term debt repayment of Rs.1.95 Cr over the same period. Moreover, the fund based bank limit utilisation stood moderately comfortable at ~66 per cent for the six months ended April, 2023. The current ratio of the company stood comfortable at 2.19 times in FY2023 (Provisional). The cash and bank balances stood at Rs.0.22 Cr in FY2023 (Provisional). Moreover, the efficient working capital management of the company is marked by GCA days of 92 days in FY2023 (Provisional) as compared to 113 days in FY2022.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of gradually improving cash accruals against low debt repayment burden over the medium term.

Outlook: Stable

Acuité believes ASL will continue to benefit over the medium term backed by its experienced management, established track record of operations and stable business 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 and financial risk profile. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	299.94	252.19
PAT	Rs. Cr.	3.45	2.55
PAT Margin	(%)	1.15	1.01
Total Debt/Tangible Net Worth	Times	0.44	0.63
PBDIT/Interest	Times	3.63	2.82

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

Infomercials, vide its press release dated April 19, 2023 had denoted the rating of Anindita Steels Limited as 'IVR B+/Negative/A4; ISSUER NOT COOPERATING'.

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
20 Apr 2022	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.32	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.60	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.08	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)

22 Jan 2021	Bank Guarantee	Short Term	2.32	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.68	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	R
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.32	Ac Re
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	Ac S Re
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.68	Ac S Re

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About Acuité Ratings & Research

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