

## Press Release

Anjani Steels Limited

September 20, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	161.50	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	21.50	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	183.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## 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. 183.00 crore bank facilities of Anjani Steels Limited (ASL). The outlook is '**Stable**'.

### Rationale for reaffirmation

The reaffirmed rating takes into account the established track record of the entity and the improvement in scale of operations. Company has achieved 28.24% growth in revenues in FY 2022 (provisional) on the back of improved realisations on products sold. However, since the company is moving towards no credit policy hence it has led to moderation of operating margins. The ratings are constrained by working capital intensive nature of operations. GCA days of 170 in FY 2022 (provisional) is a result of high inventory holding period which is expected to remain at the same levels in the future due to integrated nature of operations. Going forward, working capital management and improvement in operating margins will remain key rating factors for the entity.

### About the Company

ASL was incorporated in the year 1994 by Mr. Shiv Dhari Yadav and Mr. Sanjay Kumar Yadav as a private limited company and was later reconstituted as a public limited company in 2007. The company is engaged in manufacturing of steel and alloy steel castings, ingots, billets and all kinds and sizes of re-rolled sectioned viz flats, angles, rounds, squares, hexagons, octagons rail joints, to name a few. The company set up an integrated steel plant at Raigarh (Chhattisgarh), consisting of sponge iron division, induction furnace division & a 12 MW thermal power plant. The integrated steel plant has a capacity of 1,08,000 MT for manufacturing sponge iron, 1,20,000 MT for manufacturing of billets and 125,000 MT for manufacturing of TMT bars as on March 31, 2022.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

#### Established track record of operations and experienced management

Incorporated in the year 1994, Anjani Steels Limited is promoted by Mr. Shiv Dhari Yadav and Mr. Sanjay Kumar Yadav. The company has been in the business of steel since 1996-97 and the products currently manufactured are billets, being further used for production of long products, i.e. TMT bars, used to cater to the growing demands of various sectors i.e. power sector, infrastructure construction, steel and cement plant construction, commercial & residential houses, among others. ASL is led by Mr. Shiv Dhari Yadav and Mr. Sanjay Kumar Yadav, who hold experience of more than two decades in the aforementioned line of business. The extensive experience of the promoters is reflected through the established relationships with the company's customers and suppliers. The key customers of the company have no major concentration in revenues.

#### Moderate financial risk profile

The financial risk profile of the company is moderate marked by strong net worth, moderate gearing, debt protection metrics and coverage indicators. Net worth of the company stood at Rs. 134.02 crore as on March 31, 2022 as against Rs. 128.86 Cr as on 31 March 2021. Gearing stood moderate at 1.18 times in FY 2022 as against 1.26 times in FY 2021. Total debt of Rs. 158.64 Cr in FY 2022 consists of Rs. 39.13 Cr of long term debt, Rs. 1.30 Cr of unsecured loans infused by promoters, Rs. 109.58 Cr of working capital borrowings and Rs. 8.63 Cr of CPLTD. Interest Coverage ratio improved and stood moderate at 1.94 times in FY 2022 as against 1.71 times in FY 2021. DSCR has moderated to 0.90 times in FY 2022 due to sudden increase in CPLTD for FY 2021. NCA/TD improved to 0.10 times in FY 2022 from 0.07 times in FY 2021. Going forward in the absence of any debt funded capex plan the financial risk profile is expected to remain moderate in the near term.

### Weaknesses

#### Working capital intensive nature of operations

The company's operations are working capital intensive marked by GCA days of 170 in FY 2022. GCA days have moderated in FY 2022 which in FY 2021 stood at 211 days. The decline in GCA days was result of decline in Debtor realization and inventory holding period. Inventory holding period has declined from 172 days in FY 2021 to 139 days in FY 2022. Inventory holding period generally remains high for the company due to the integrated nature of operations. Debtor realization period stood low at 4 days in FY 2022 down from 9 days in FY 2021. Company has minimal debtors since the company asks for the payment from customers in advance. Creditor days have gone up from 5 days in FY 2021 to 12 days in FY 2022. As a result, the average bank limit utilization from July 2021 to June 2022 stood at 83.85%.

#### Highly competitive and cyclical nature of industry

Steel is a highly competitive industry due to low entry barriers that results in intense competition from the large number of organized and unorganized players present in the market. However, the risk is mitigated to an extent on account of established track record of operations. The material cost is the primary cost driver accounting for ~80 per cent of total sales. Further, the company's revenue and profitability are susceptible to the inherent cyclicity in the steel industry and volatility in steel prices.

### Rating Sensitivities

- Significant improvement in its working capital management.
- Further improvement in profitability levels thereby improving company's debt coverage indicators.
- Decline in average utilization levels of working capital limits.
- Debt-funded capex leading to deterioration of financial risk profile.

### Material covenants

None.

### Liquidity Position

#### Adequate

Company's DSCR moderated to 0.90 times in FY 2022 since CPLTD payable in FY 2022 rose to Rs. 19.24 Cr against net cash accruals of Rs. 15.62 Cr. The company has been able to manage the debt repayment since as per management the company availed 6 months' moratorium and also banker's feedback does not point to any delays or overdue. Going forward the company is expected to generated NCA of Rs. 19.61 Cr and Rs. 23.98 Cr against maturing debt obligation of Rs. 8.63 Cr and Rs. 9.18 Cr respectively in FY 2023-24. Bank limit utilization is moderately high at 83.85% between July 2021 to June 2022.

### Outlook: Stable

Acuite believes that ASL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

### Other Factors affecting Rating

None.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	486.95	379.69
PAT	Rs. Cr.	6.76	3.49
PAT Margin	(%)	1.39	0.92
Total Debt/Tangible Net Worth	Times	1.18	1.26
PBDIT/Interest	Times	1.94	1.71

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

Not available

### Any other information

None.

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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

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

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Working Capital Term Loan	Long Term	7.94	ACUITE BBB-   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	24.65	ACUITE BBB-   Stable (Reaffirmed)

07 Jul 2021	Cash Credit	Long Term	110.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	18.91	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	21.50	ACUITE A3 (Reaffirmed)
23 Jun 2021	Bank Guarantee	Short Term	21.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	82.50	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	11.25	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	27.50	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	13.25	ACUITE BBB-   Stable (Reaffirmed)
19 Mar 2020	Term Loan	Long Term	13.25	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	82.50	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	27.50	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	11.25	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	21.50	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A3   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	110.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	18.91	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	7.94	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	24.65	ACUITE BBB-   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Shreyansh Singh Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:shreyansh.singh@acuite.in">shreyansh.singh@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

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