



Press Release
ANJANI STEELS LIMITED
February 13, 2025
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Total Withdrawn Quantum (Rs.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 to ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) and short-term rating to ‘**ACUITE A3+**’ (read as **ACUITE A three plus**) on the bank facilities of Rs. 183.00 Cr. of Anjani Steels Limited. The outlook remains ‘**Stable**’.

Rationale for Rating

The rating reflects the company’s established track record of operations, experienced management, and location advantage. The financial risk profile remains healthy supported by improving network, comfortable capital structure and absence of any debt funded capex plans. The liquidity of the company is adequate on account of steady cash accruals against long debt repayments, high reliance on short term borrowings and moderate current ratio. A decline in operating income was primarily driven by a correction in TMT bar prices and other products and modest volume growth, though operating margins have shown a slight improvement. The increase in capacity utilization reflects moderate increase in sales volumes. However, the rating is constrained by moderate working capital management, the cyclical nature of the steel industry, and the vulnerability of margins to commodity price volatility. Additionally, the rating is constrained by the fact that most capacity utilization has reached its limits, with no plans for capital expenditure.

About the Company

Delhi Based, Anjani Steels Limited was incorporated in 1994 as Anjani Steels Private Limited with the main objective to carry on the business of production of steel and alloy steel castings, ingots, billets and all kinds and sizes of rerolled sectioned viz Flats, angles, rounds, squares, hexagons, octagons rail joints, channels, steel strips, sheets, plates, deformed bars, plain and cold twisted bars, bright bars, shafting, and steel structures. Presently, it has a manufacturing unit located at Raigarh (Chattisgarh). The unit currently has Sponge Iron Division (108000 MT), Steel Melting (130000 MT), Power Plant (105120000 MT) and TMT Rolling Mill (125000 MT). The present directors of the company are Mr. Vijay Kumar Yadav, Mr. Girdhari Yadav, Mr. Shivdhari Yadav, Mr. Girdhari Lal Mohta, Mr. Mahatam Yadav, Mr. Anjani Yadav and Mr. Virendra Kumar Yadav.

Unsupported Rating

Not Applicable

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

Established in 1994, Anjani Steels Limited is backed by the promotion of Mr. Shiv Dhari Yadav and Mr. Girdhari Yadav. Since 1996-97, the company has been actively involved in the steel industry, with its current

product line-up consisting of billets used in the production of long products, specifically TMT bars. These TMT bars serve the increasing demands of various sectors, including the power sector, infrastructure construction, steel and cement plant construction, as well as commercial and residential housing, among others. ASL is under the guidance of Mr. Shiv Dhari Yadav and Mr. Girdhari Yadav, both possessing over two decades of experience in this field. Their extensive experience is evident in the strong relationships they have built with the company's customers and suppliers. The company has a locational advantage as the plants are located in the industrial area of Raigarh, Chhattisgarh, which is in close proximity to various steel plants and sources of raw materials. Further the plants are well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods. Acuite believes that the experience management with established presence of its operations will continue to benefit the company over the medium term.

Healthy Financial Risk Profile

The tangible net worth of the company stood at Rs.151.09 Cr. as on March 31, 2024, as compared to Rs.142.26 Cr. as on March 31, 2023, due to accretion to reserves. Gearing of the company improved at 0.91 times as on March 31, 2024, as against 1.06 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.19 times as on March 31, 2024, as compared to 1.28 times as on March 31, 2023. The debt protection metrics of the company remain comfortable marked by Interest coverage ratio (ICR) of 2.29 times and debt service coverage ratio (DSCR) of 1.33 times for FY2024. The net cash accruals to total debt (NCA/TD) stood healthy at 0.12 times in FY2024. Acuite believes that going forward the financial risk profile will continue to remain healthy over the medium term, supported by steady net cash accruals and absence of any debt funded capex plans.

Weaknesses

Decline in Operating Income albeit marginal improvement in Margins

The company operates with an integrated steel value chain, encompassing sponge iron, billets, and TMT bars. This integration provides the flexibility to sell intermediate products or utilize them for internal consumption. Additionally, the company's captive power plants further drive cost efficiencies across the value chain.

The operating income stood at Rs. 604.42 Cr. in FY2024 as against Rs.635.32 Cr. in FY2023. A decline in topline is mainly due to correction of average realization of TMT Bars and other products as well as moderate increase in volume sold. Further, the company has achieved Rs.323.49 Cr. in H1FY2025.

The EBITDA margin stood at 6.16 percent in FY2024 as against 6.06 percent in FY2023. The marginal improvement is because of high volume absorption. Further, the implementation of back-to-back pricing strategies had supported stable margins by reducing cost pressures and price adjustments were able to be passed on to the customers. The PAT margin stood at 1.46 percent in both FY24 and FY23. Acuite believes that the scale of operations will improve over the medium term due to stabilization in price as well as demand.

Moderate Working capital Management

The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 144 days for FY2024 as compared to 133 days for FY2023 due to inventory days. The inventory days of the company stood at 130 days in FY2024 as compared to 119 days in FY2023. The company maintains a gestation period of 4 to 4.5 months from procuring raw materials to producing of finished goods. The debtor days stood at 5 days in FY2024 against 4 days in FY2023. Against this, the creditor days stood at 13 days in FY2024 against 5 days in FY2023. The increase in creditor days reflects the company's policy of withholding payment until raw materials are reached to the factory, inspected and approved. Acuite believes that the working capital management will remain on similar levels.

Highly competitive industry and inherent cyclical patterns in the steel sector

The steel rolling sector continues to lack organization and cohesion, which makes it more susceptible to intense competition. The company faces strong competitive forces from both organized and unorganized players, which can affect market share and pricing power. Compounding this challenge is the cyclicity inherent in the steel industry, where demand and supply fluctuations lead to periods of both oversupply and shortages. Additionally, government focus on steel-intensive sectors like railways and infrastructure increases the sector's vulnerability. A prolonged drop in demand or delays in government-led infrastructure projects would negatively affect the financial performance of steel companies.

Looking ahead to FY26, while demand for steel is expected to remain steady due to continued infrastructure development, especially in emerging markets, the cyclical nature of the industry may result in short-term volatility. Steel producers may see periods of price corrections or reduced margins if raw material prices fluctuate unpredictably. However, the government's sustained focus on steel-intensive sectors like infrastructure, renewable energy, and electric vehicles may provide growth opportunities.

Rating Sensitivities

- Movement in operating income and operating margins
- Working capital Management

Liquidity Position

Adequate

The company has adequate liquidity marked by adequate net cash accruals of Rs. 16.95 Cr. as on March 31, 2024, as against Rs. 13.29 Cr. long term debt obligations over the same period. The current ratio of the company stood comfortable at 1.50 times in FY2024 as against 1.60 times in FY23. The cash and bank balance stood at Rs.0.29 Cr. for FY2024. However, the fund-based limit remained utilized at 88.58 per cent and non-fund-based limit at 64.59% over the nine months ended December 2024. Further, the working capital management of the company is moderate marked by Gross Current Assets (GCA) of 144 days for FY2024 as compared to 133 days for FY2023. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	604.42	635.32
PAT	Rs. Cr.	8.82	9.30
PAT Margin	(%)	1.46	1.46
Total Debt/Tangible Net Worth	Times	0.91	1.06
PBDIT/Interest	Times	2.29	2.49

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

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. Acuité'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 Nov 2023	Bank Guarantee (BLR)	Short Term	21.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	110.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	6.91	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	16.24	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Term Loan	Long Term	28.35	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
20 Sep 2022	Bank Guarantee (BLR)	Short Term	21.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	110.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	18.91	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	7.94	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	24.65	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.50	Simple	ACUITE A3+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	110.00	Simple	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	7.73	Simple	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2027	11.67	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	27.19	Simple	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	4.91	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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