



Press Release
VANANCHAL CONCAST PRIVATE LIMITED
October 05, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	16.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	66.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.66.00 Crore bank facilities of Vananchal Concast Private Limited (VCPL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the moderate capital structure of the company with an equity infusion of Rs 63.15 Cr in FY 2023 and moderate debt protection metrics. Further, the rating considers the adequate liquidity of the company with a moderate reliance on short term bank borrowings with an average utilization of 63.36% in last 15 months ending July 2023. The rating also factors in the experience of the promoters in the industry which is also reflected from its growing revenue driven by increase in metal prices.. However, the above mentioned strengths are partly off-set by the working capital intensive operations of the company with a high GCA days of 120 days and vulnerability in the margins due to fluctuations in the raw material prices of the company.

About the Company

Vananchal Concast Private Limited was incorporated in 2019, based in Jharkhand, managed by Mr. Nitin Bhalotia and Mr. Ankit Poddar. The company engaged in manufacturing of MS Billets.

Analytical Approach

Acuite has taken the standalone view on the business and financial risk profile of Vananchal Concast Private Limited.

Key Rating Drivers

Strengths

Experienced Management

VCPL has been engaged in manufacturing of MS Billets and has started its full fledge operations in 2023. Currently the company is managed by Mr. Nitin Bhalotia and Mr. Ankit poddar who has an experience in manufacturing of MS Billets. The company caters to strong customer base in various end-user industries.

The company witnessed increase in the top-line of the company FY23 which stood at Rs.250.86 Crore as compared to Rs.34.94 Crore in FY22 and Rs.27.26 Crore in FY21. It was a greenfield project which have been completed more than 83% in FY23 with an installed

capacity of 25000 MT. In the initial two years, the company recorded revenue through trading business and in FY23, the installation of machineries was completed more than 83% with a

capacity of 25000 MT which will be increase to 30000 MT by FY24. Further, the manufacturing business contributed 80% in total sales and rest was contributed through trading business. Further, the margins of the company are attributable to volatility in the raw material prices resulting into pressure on margins in FY23 which stood at 2.21% and 3.07% in FY22. The PAT margins of the company stood at 0.68% in both years. Going forward, the company is expected to increase in the top-line of the company under range of Rs.300 Crore with better margins on the back of increase in the production due to increase in installed capacity post completion of capex.

Acuite believes that the ability of company to ramp up the production and increase its top line is a key rating sensitivity.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by moderate net-worth, gearing and debt protection metrics. The net worth of the company stood at Rs.75.14 Crore as on 31st March 2023 against Rs.10.22 Crore as on 31st March 2022. The increase in the net worth is due to accumulation of profits in reserves and infusion of equity of Rs.63.15 Crore in FY23. The total debt of the company stood at Rs.20.89 Crore as on 31st March 2023 against Rs.10.34 crore as on 31st March 2022. The long term debt of the company are Vehicle loans which stood at Rs.2.33 Crore as on 31st March 2023, short term borrowing is cash credit of Rs.17.65 Crore as on 31st March 2023.

The promoters of the company infused funds in the business to support the capital expenditure in form of quasi equity as the unsecured loans are subordinated (condition mentioned in the sanction letter). The capital expenditure is related to greenfield expansion plan in which company is developing its manufacturing plant of MS billets and currently the installed capacity is nearly 25000 MT which will be increased to 30000 MT post capex plan. Further, the ICR and DSCR ratio of the company stood moderate at 3.34 times and 2.82 times respectively as on 31st March 2023 against 1.93 times and 1.79 times respectively as on 31st March 2022. The gearing ratio of the company stood on 0.28 times as on 31st March 2023 due to additional quasi equity infused into business related to capital expenditure and will convert this quasi equity into equity share capital on y-o-y basis in near future. TOL/TNW ratio stood at 0.49 times as on 31st March 2023 against 2.84 times as on 31st March 2022.

Acuite believes that financial risk profile of the company is likely to improve in near to medium term in absence of debt-funded capex.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company are intensive marked by GCA days stood at 120 days as on 31st march 2023 against 222 days as on 31st march 2022. However, GCA days are improved on an account of improved inventory holding days which stood at 35 days as on 31st March 2023 against 113 days as on 31st March 2022. The inventory comprises of both trading and manufacturing portion as the production started in last month of FY22 resulting in higher inventory days in that year. The average inventory days maintained by the company is approximately 30 days. Further, the debtor days of the company stood at 70 days as on 31st March 2023 against 54 days as on 31st March 2022. The average credit allowed by the company is under the range of 60-90 days. On the other hand, the creditor days of the company stood at 3 days as on 31st March 2023.

Acuite believes that the working capital operations of the company may continue to remain in the same range in near to medium term.

Fragmented industry characterized by intense competition and vulnerability to changes in commodity prices

The company works in a highly competitive and fragmented segment of the Indian aluminium market, which is characterised by the existence of numerous small, unorganised players. As a result, the industry's players have little pricing power and are subject to pressure from the competition to increase their profitability. Aside from this, its products, which are mostly used by intermediaries, are exposed to the risks linked to industry cyclicality and pricing volatility. The susceptibility of the margins to changes in the raw materials price is inherent in this industry.

Rating Sensitivities

- Maintaining moderate financial risk profile.
- Ability to ramp up the production resulting in revenue growth with sustained profitability margins.
- Elongation of working capital cycle leading to stretch in liquidity

All Covenants

None.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.3.41 Crore as on 31st March 2023 against the debt repayment obligations of Rs.0.12 Crore in the same period. Going forward, the company is expected to generate sufficient net cash accruals against its debt repayment obligations in near term to medium term. The current ratio of the company stood at 1.37 times as on 31st March 2023 against 0.85 times as on 31st March 2022. The unencumbered cash and bank balance of the company stood at Rs.1.69 Crore as on 31st March 2023 against Rs.2.09 Crore as on 31st March 2022. The fund based bank limit utilization of the company stood moderate at 63.36% in last 15 months ending July 2023.

Outlook: Stable

Acuité believes that VCPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to completion of capex and growing top line. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues while maintaining its margins and is able to improve working capital operations. Conversely, the outlook may be revised to 'Negative' if the company generates lower than anticipated cash accruals, most likely due to significant debt funded capex or impact on profitability margins, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	250.86	34.94
PAT	Rs. Cr.	1.70	0.24
PAT Margin	(%)	0.68	0.68
Total Debt/Tangible Net Worth	Times	0.28	1.01
PBDIT/Interest	Times	3.34	1.93

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

None

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

In order to inform the investors about complexity of instruments, Acuite 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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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