

Press Release

VANANCHAL CONCAST PRIVATE LIMITED

September 26, 2024

Rating Reaffirmed & Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	16.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	66.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of 'ACUITE BB+' (read as ACUITE double B plus) and short term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs.66.00 Crore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 rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating has been withdrawn on account of the request received from the company along with No objection certificate received from the lender.

Rationale for Rating

The rating also draws comfort the moderate capital structure of the company and moderate debt protection metrics. Further, the rating considers the adequate liquidity of the company with a moderate reliance on short term bank borrowings. 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 139 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.

Unsupported Rating

Not Applicable

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 fledged 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 turnover of Rs.269.16 Crore in FY24(Prov.) as against Rs.250.86 Crore in FY23. Further, the EBITDA margins of the company stood at 2.47% in FY24(Prov.) as against 2.21% in FY23. 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 in the range of Rs.300 Crores with better margins on the back of increase in the production due to increase in installed capacity post completion of capex will resulting to increase in the top-line.

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 net worth of Rs.59.67 Crore as on 31st March 2024(Prov.) against Rs.75.12 Crore as on 31st March 2023. The total debt of the company stood at Rs.64.51 Crore as on 31st March 2024(Prov.) against Rs.20.89 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) Further, the ICR and DSCR ratio of the company stood at 2.61 times and 1.91 times respectively as on 31st March 2024(Prov.) against 3.34 times and 3.04 times respectively as on 31st March 2023. The gearing ratio of the company stood on 1.08 times as on 31st March 2024(Prov.). TOL/TNW ratio stood at 2.63 times as on 31st March 2024(Prov.) against 0.49 times as on 31st March 2023. Acuite believes that financial risk profile of the company is likely to improve in near to medium term due to absence of debt-funded capex in near future.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company are intensive marked by GCA days stood at 139 days as on 31st March 2024(Prov.) against 120 days as on 31st March 2023. Inventory days stood at 39 days as on 31st March 2024(Prov.) against 35 days as on 31st March 2023. Further, the debtor days of the company stood at 93 days as on 31st March 2024(Prov.) as against 70 days as on 31st March 2023. The average debtor days maintains by the company under the range of 60-90 days. Acuite believes that the working capital operations of the company will remain the same range in near to medium term

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 cyclicity and pricing volatility. The susceptibility of the margins to changes in the raw materials price is inherent in this industry.

Rating Sensitivities

Not Applicable

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.4.77 Crore as on 31st March 2024(Prov.) as against the debt repayment obligations of Rs.0.91 Crore in the same period. The current ratio of the company stood at 0.73

times as on 31st March 2024(Prov.) against 2.39 times as on 31st March 2023. The unencumbered cash and bank balance of the company stood at Rs.3.33 Crore as on 31st March 2024(Prov.) against Rs.1.65 Crore as on 31st March 2023.Acuité believes that going forward the liquidity position of the group will remain adequate due to the improving net cash accruals.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	269.16	250.86
PAT	Rs. Cr.	1.83	1.70
PAT Margin	(%)	0.68	0.68
Total Debt/Tangible Net Worth	Times	1.08	0.28
PBDIT/Interest	Times	2.61	3.34

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, 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Oct 2023	Bank Guarantee (BLR)	Short Term	16.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BB+ Stable (Assigned)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BB+ Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Manish Bankoti Associate Analyst-Rating Operations Tel: 022-49294065 manish.bankoti@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.