Press Release
AMIYA STEEL PRIVATE LIMITED
March 21, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.00	ACUITE BBB- | Stable | Assigned	-
Bank Loan Ratings	4.00	-	ACUITE A3 | Assigned
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB-' (read as ACUITE triple B minus)** and short-term rating of **'ACUITE A3' (read as ACUITE A three)** to the Rs. 25 crore bank facilities of Amiya Steel Private Limited (ASPL). The outlook is **'Stable'**.

Rationale for Rating

The rating assigned takes into account the track record of operations of two decades in this line of business along with experienced management. Further, it factors in the growing scale of operations with operating income at Rs. 202.66 crore in FY 2023 as against Rs. 149.99 crore in FY 2022 and Rs. 116.40 crore in FY 2021, attributed to both increase in the number of units sold and better price realisation of sponge iron. The rating favourably factors in the healthy financial risk profile of the company with a gearing of below unity as on March 31st, 2023. Further, it considers the adequate liquidity position of the company with moderate reliance on short term bank borrowings with an average utilization of 5-10% for last 10 months ended February 2024. However, the above-mentioned strengths are constrained by moderately intensive working capital nature of operations with a high GCA days of 105 days in FY 2023 and inventory days of 34 days in FY 2023 and susceptibility of profitability to fluctuations in raw material prices.

About the Company

Incorporated on 01 August 2002, Amiya Steel Private Limited (ASPL) - a Kolkata based primary steel producer is engaged in manufacturing of Sponge Iron with installed capacity of 200 tons per day for 300 working days, i.e. 60,000 MTPA. The manufacturing facility is located at Mejia in Bankura. Currently, the directors of the company are Mr. Arindam Mondal and Ms. Kajal Mondal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Amiya Steel Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Incorporated in 2002 ASPL is a primary steel producer engaged in the manufacturing sponge

iron with its plant located at Mejia in Bankura with an installed capacity of 60,000 MTPA. The promoters of the company have over 20 years of operational experience and profound understanding of the industry which have not only helped them to shape the strategic vision of the company but has also been pivotal in establishing enduring relationships with both customers and suppliers. The production capacity utilisation stood at 103.68% for eleven months ended February 2024 as against 101.82% in FY 2023 and 79.08% in FY 2022. Further, the sales volume increased substantially to 62,246 units in FY 2023 as against 46,612 units in FY 2022. Also, the average selling price marginally increased to Rs. 31,810 per MT in FY 2023 from Rs. 31, 386.77 per MT in FY 2022. The sales volume was 56,897 units and the average selling price at Rs. 29,360.27 per MT for eleven months ended February 2024.
Acuité believes the company shall continue to benefit from its established position in the industry, experienced management and established relationships with customers and suppliers.

Optimal Plant Location
ASPL's manufacturing plant in Bankura, West Bengal, strategically leverages proximity to iron ore and coal mines for raw materials. This location minimizes transportation costs and ensures a reliable supply chain. The plant benefits from well-connected road and rail networks, facilitating efficient logistics. Additionally, Bankura offers a skilled and cost-effective labour force.
Acuité believes the company shall continue to benefit from the strategic location of the plant.

Healthy Financial risk profile
The Financial risk profile of the company stood healthy, characterized by a moderate net worth, low gearing (Debt-equity), and comfortable debt protection metrics. The net worth of the company stood at Rs. 32.14 crore for FY 2023 as against Rs. 22.46 crore for FY 2022, increase is due to accretion of profits to reserves. The total debt of the company as on 31 March 2023 stood at Rs. 25.43 crore. The gearing of the company stood low at 0.79 times as on 31st March 2023 as against 1.23 times as on 31st March 2022. Total outside liabilities to Tangible net worth (TOL/TNW) stood at 1.70 times as on 31st March 2023 as against 2.48 times as on 31st March 2022. The Debt service coverage ratio stood comfortable at 5.74 times in FY23 as against 5.89 times in FY22. The interest coverage ratio stood at 14.29 times in FY23 as against 13.34 times in FY22. Net Cash Accruals to Total Debt (NCA/TD) of the company stood at 0.43 times for FY2023 as against 0.27 times for FY2022.
Acuite believes the financial risk profile of company may continue to remain healthy over the medium term with no major debt-funded capex plans.

Weaknesses

Working capital intensive operations
The company have moderately intensive working capital nature of operations marked by declining but high GCA Days of 105 days in the FY 2023 as against 151 days in FY 2022. The higher GCA days are on account of moderate inventory, debtors and other current assets and increased cash and bank balances. The inventory days stood at 34 days in FY 2023 as against 60 days in FY 2022. The receivables days stood at 0 days in FY 2023 as compared with 8 days as on FY 2022. Receivables of the company as on February 2024 stands at Rs. 1.70 crore and all the debtors for the company currently are less than 6 months. The creditor days of the company stood at 2 days in FY 2023 as against 5 days in FY 2022. However, the average utilization for fund based working capital limits stood moderate at 5-10 percent for ten months ended February 2024 and non-fund based utilization at 26 percent for the same period.
Acuite believes that working capital operations of the company may continue to remain moderately intensive, considering the nature of operation with moderate inventory maintenance requirement.

Lack of backward integration vis-à-vis volatility in prices
The degree of backward integration defines the ability of the company to minimize price volatility risk and withstand cyclical downturns generally witnessed in the iron and steel industry. ASPL does not have any backward integration for its basic raw material (iron ore and

coal) and will purchase the same from open market. Since the raw material is the major cost driver and raw material prices are volatile in nature, the profitability margin of the company will remain susceptible to fluctuation in raw material prices.

Highly competitive and fragmented industry

The steel industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India. Hence the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability. This apart, ASPL's products being steel related, it is subjected to the risks associated with the industry like cyclicality and price volatility of raw material and final product.

Rating Sensitivities

Improvement in scale of operation while improving the profitability margin.
Sustenance of healthy financial risk and net cash accruals.
Elongation in working capital cycle resulting in stretched liquidity

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The company has generated net cash accruals of Rs. 10.82 crore in FY 2023. In addition, it is expected to generate sufficient cash accrual in the range of Rs. 10-15 crore against the maturing repayment obligations of Rs. 0.5-1 crore over the medium term. Further, fund-based average limit utilization stood low at 5-10 percent for the last ten months ended February 2024, with non-fund-based utilization at 26 percent for the same period. The current ratio stands at 1.66 times as on March 31, 2023, as against 1.27 times as on 31 March 2022. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.43 times in FY 2023 as against 0.27 times in FY 2022.
Acuite believes that company's liquidity position would remain adequate over the medium term on account of expected steady cash accruals.

Outlook: Stable

Acuité believes that ASPL outlook will remain 'Stable' over the medium term backed by its healthy financial risk profile, adequate liquidity, experience of management and revenue visibility. The outlook may revise to 'Positive' in case the company registers higher than-expected growth in its revenue and profitability while restricting significant elongations in working capital cycle and maintaining the healthy the financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than expected growth in revenues and profitability, or, in case of deterioration in the company's business or financial risk profile or significant elongation in working capital cycle leading to stretch in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	202.66	149.99
PAT	Rs. Cr.	9.65	6.26
PAT Margin	(%)	4.76	4.18
Total Debt/Tangible Net Worth	Times	0.79	1.23
PBDIT/Interest	Times	14.29	13.34

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
• 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 :
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
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A3 | Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.70	ACUITE BBB- | Stable | Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.30	ACUITE BBB- | Stable | Assigned

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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.