

Rating Advisory

May 22, 2020 | Mumbai

Anmol India Limited

Advisory as on May 22, 2020

This rating advisory is provided in relation to the rating of Anmol India Limited

The key rating sensitivity factors for the rating include:

Upward

- * Improvement in operating income and operating margin to upwards of 2%
- * Increase in cash accruals by 25%

Downward

- * Decline in operating income and volume traded by more than 10% in comparison to fiscal 2019
- * Fall in operating profitability in comparison to fiscal 2019
- * Debt-funded capital expenditure weakening the financial risk profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Anmol India Limited (AIL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If AIL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Company

Incorporated in 1998, AIL, a Bombay Stock Exchange listed company, is engaged in trading of coal and pet coke. It is promoted and managed by Mr Vijay Goel, Mr Tilak Raj Aggarwal, Mrs Neelam Rani, Mr Sahil Aggarwal and Mrs Deepika.

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Rating Rationale

August 31, 2019 | Mumbai

Anmol India Limited

'CRISIL BBB-/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.23 Crore
Long Term Rating	CRISIL BBB-/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BBB-/Stable**' rating to the long-term bank facilities of Anmol India Limited (AIL).

The rating reflects AIL's established presence in the coal trading industry, comfortable risk management policies and above average financial risk profile. These strengths are partially offset by low operating profitability because of trading nature of business and exposure to intense competition.

Analytical Approach

Out of the total unsecured loans of Rs 9.88 crore from the promoters, Rs 9 crore has been treated as neither debt nor equity, as they have been in the business for last four years and expected to remain therein over the medium term. Rs 0.88 crore has been treated as debt.

Key Rating Drivers & Detailed Description

Strengths:

* **Established presence in the coal trading industry:** Benefits from the promoter family's experience of over three decades, their understanding of industry trends, the company's established market position and customer base, and healthy relations with suppliers and transporters should continue to support the business. Backed by the promoters' experience the company has tripled its turnover between fiscals 2016 and 2019, from Rs 189.5 crore to Rs 547.3 crore.

* **Comfortable risk management policies:** AIL follow strict policy of rotation of stock and does not involve in speculation or holding of inventory with average inventory of 20-25 days. Almost 60% of stocks are sold at the time of procurement while the balance 40% is kept for sales to small traders and direct manufactures. On debtor's side, company allows credit period of around 25 days to those customer with whom it has long relationship of more than 10-15 years. Also after the credit period allowed, company charges interest on the receivables. With new customers, company deals only on advance payment basis or collection against delivery of goods. Company imports constitute around 40-45 percent of total purchase. AIL covers its forex exposure immediately on selling the material to customers in Indian rupee.

* **Above average financial risk profile**

Accretions to reserve, regular equity infusion and expansion in profit after tax has helped networth augment significantly from Rs 7.62 crore as on March 31, 2016 to Rs 25.17 crore as on March 31, 2019, which has resulted in low reliance on working capital debt. Consequently, gearing improved from 1.17 times to 0.17 time, though turnover has increased significantly during the period. Gearing and total outside liabilities to tangible networth ratio (2.13 times as on March 31, 2019) should remain low.

The interest coverage and net cash accrual to total debt ratios were above 3.9 times and 0.88 time, respectively, for fiscal 2019. Interest coverage should improve further in the near term due to expected decline in interest and financial charges and increase in operating profit.

Weaknesses

* **Low operating profitability because of trading business:** Intense competition and trading operations has resulted in low operating profitability of 1.0-1.8% during the four fiscals through March 2019. Profitability is expected to remain low over the medium term.

* **Exposure to intense competition:** The coal trading, handling, and transportation business has some large players and several medium and small players leading to intense competition. The trading operations and negligible product differentiation constrains the bargaining power of individual players and results in low profitability. However, in case of coal handling business, ability to ensure timely availability of right quality of coal at competitive prices is a differentiator.

Liquidity: Adequate

Liquidity should remain adequate. In the absence of maturing debt, cash accrual, expected at Rs 4.5-4.8 crore per annum in fiscals 2020 and 2021, should support liquidity. Bank limit utilisation averaged 14% over the 12 months through July 2019. Liquidity is further supported by timely funds from the promoters.

Outlook: Stable

CRISIL believes AIL will continue to benefit from the established presence and promoters' support and healthy relationships with clients.

Rating sensitivity factor

Upward factor

- * Improvement in operating income and operating margin to upwards of 2%
- * Increase in cash accruals

Downward factor

- * Decline in operating income and volume traded by more than 10% in comparison to fiscal 2019
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Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	547.38	298.60
Profit after tax (PAT)	Rs crore	3.61	2.62
PAT margin	%	0.7	0.9
Adjusted debt/adjusted networth	Times	0.17	1.11
Interest coverage	Times	3.9	3.0

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	23.00	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Current				2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	23.00	CRISIL BBB-/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	23	CRISIL BBB-/Stable	--	0	--
Total	23	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Criteria for rating trading companies](#)

[Rating criteria for manufacturing and service sector companies](#)

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