Anmol India Limited

August 09, 2021

Ratings

Facilities/Instruments	**Amount (Rs. crore)**	**Ratings**	**Rating Action**
Long Term Bank Facilities	23.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Long Term / Short Term Bank Facilities	15.00	CARE BBB; Stable / CARE A3+ (Triple B; Outlook: Stable/ A Three Plus)	Revised from CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable / A Three)
Short Term Bank Facilities	45.00	CARE A3+ (A Three Plus)	Assigned
Total Bank Facilities	**83.00 (Rs. Eighty-Three Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Anmol India Limited (AIL) takes into account overall improvement in the solvency position and increasing scale of operations along with improvement in profitability and efficient working capital management. The ratings continue to derive strength from the experienced & resourceful promoters with long track record of operations of the company.

These rating strengths are, however, partially offset by the customer and supplier concentration risk, inherent risk associated with the trading nature of the business and susceptibility of margins to volatility in international market prices of coal and regulatory risk in the industry.

Rating Sensitivities

Positive factors

- Steady scale-up of operations to ~Rs.1200 Cr.
- Improvement in the PBILDT margins above 3%.

Negative factors

- Significant decline in the scale of operations or PBILDT margins falling below ~1.50%.
- Deterioration in the solvency position with overall gearing of above 1.50x owing to increased working capital dependence.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and resourceful promoters: AIL is promoted by Mr. Vijay Kumar, Mr. Tilak Raj and Mr. Chakshu Goyal. Mr. Vijay Kumar has been involved in same line of operations for more than 3.5 decades. Mr. Tilak Raj, also, has an experience of around 2 decades while the third director of the company, Mr. Chakshu Goyal (son of Mr. Vijay Kumar) has been engaged in AIL since the last five years. To fund various requirements of the company in the past, the promoters have infused funds in the form of unsecured loans. The unsecured loans stood at Rs.19.62 crore as on March 31, 2021 (PY: Rs. 10.40 crore), out of which Rs. 10.40 Cr. remain subordinated to the bank loans.

Long track record of operations and established business relationships with the customers and suppliers: AIL has been in the coal trading business since 1998. Further, the promoters of the company hold an extensive industry experience. Long standing in the market has helped the company in building strong business relationships with its clients and suppliers. AIL's has a strong and increasing customer base in Gujarat, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh, Uttarakhand, Chandigarh etc.

Increasing Scale of Operations along with improvement in profitability: The total income achieved by AIL in FY21 grew at a healthy pace of ~25% to Rs. 694.08 cr from Rs. 554.89 cr in FY20. The increase in the income has been on account of increased demand from existing customers as well ass addition of news clients. The PBILDT and PAT margins, improved to 1.97% and 1.42% respectively, in FY21 from 1.37% and 0.81% respectively, in FY20. Increase in profitability margins was mainly attributable to reduction in the operational expenses and other expenses including port handling charges (include terminal handling and storage charges) and cess expenses in FY21. Further, Gross Cash Accruals (GCA) of the company increased by ~115% in FY21 to Rs. 10.05 cr from Rs. 4.68 cr in FY20.

Improvement in the overall solvency position: The term debt of the company is limited to unsecured loans infused by promoters and related parties only. The capital structure of AIL further remained satisfactory with overall gearing ratios of 1.13x respectively, as on March 31, 2021. The same improved from 1.65x respectively, as on March 31, 2020 mainly on account of lower working capital borrowings and accretion of the profits to the net worth. The debt coverage indicators marked by interest coverage ratio improved to 5.23x in FY21 from 3x in FY20. The same improved on account of increase in the operating profit in absolute value terms along with improvement in the PBILDT. However, total debt to cash flow from operations deteriorated to (10.13x) in FY21 from 8x in FY21 on account of negative cash flows from operations.

Efficient Working Capital Management: The operating cycle of the company stood at 15 days as on March 31, 2021 (PY: 12 days). The company has lower inventory and collection period as around 80% to 90% of the inventory is sold in advance and directly shipped at client site from the port. Also, the company very limited credit period to its customer resulting in lower credit period. On the supplier side, the company makes advance payment to domestic suppliers while imports are LC backed (at sight or 90 days usance period).
The company hedges its foreign currency partially by selling it in dollar terms to the consumer and partially through hedging by buying the USD in the forward market. Overall the company has profit from foreign currency movement of Rs.2.02 cr during FY21 against a loss of Rs.1.19 during FY20.

Key Rating Weaknesses
Customer and supplier concentration risk: The company derived ~27% of its total income in FY21 from the top five customers while the top customer contributed ~8% of the total income during the year. This leads to slightly concentrated revenue stream. On the supplier side also top five suppliers formed ~65% of the procurement costs in FY21 with the top supplier constituting ~27% of the total material costs for the year. Any change in the policies or performance of the customers and suppliers will directly impact AIL.

Inherent risk associated with the trading business and low profitability margins: The company is exposed to the risks associated with the trading nature of business like inherently low profitability margins, availability of the traded commodity in desired quantity and quality etc. The company is also exposed to the competition in imported coal trading business due to low entry barriers. The PBILDT and PAT margins, although improving, remained low at 1.97% and 1.42% respectively, in FY21 against 1.37% and 0.81% in FY20.

Susceptibility to regulatory changes, volatility in international prices and foreign exchange fluctuations: Coal being a commodity has demonstrated significant volatility in its prices in the past. Imported coal prices are also governed by global demand-supply factors. Accordingly, any sharp adverse fluctuations in coal prices can affect the profitability of AIL. Domestically, coal has remained a highly regulated commodity. Further, coal importers also face regulatory risk in the form of custom duty variations etc. Imports formed ~48% of the total purchase cost in FY21 (valuing Rs. 322.94 Cr. in FY21; PY: ~40%). Although, the company hedges the pricing and the exchange risk to a large extent, the profitability margins of the company are still exposed to a significant foreign exchange fluctuation due to absence of any complete hedging mechanism.

Liquidity: Adequate: The current ratio of the company stood above unity at 1.66x, as on March 31, 2021 (PY: 1.36x). The quick ratio of the company stood at 1.35x, as on March 31, 2021 (PY: 0.83x as on March, 2020). The company had free cash and bank balances of Rs.0.27 Cr. as on March 31, 2021 (PY:4.66 cr.). Further, the company has received Rs. 5.23 cr through allotment of fresh equity shares on preferential and private placement basis in April, 2021. The company does not have any external term debt repayment obligation going forward. The company mainly relies on non-fund-based funding (LC limits) for procuring imported coal. The operating cycle of the company elongated to ~15 days as on March 31, 2021 (PY: 12 days). Average month end utilization of the working capital limits stood at ~36% for the last 12 months.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Liquidity Analysis of Non-Financial Sector Entities
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments
Rating Methodology - Wholesale Trading

About the Company

Initially incorporated in 1998, as a private limited company and converted into public limited company in 2000, Anmol (India) Limited (AIL) is now listed on the Bombay Stock Exchange (BSE). AIL is engaged in wholesale trading of coal: mainly USA Coal, Indonesian coal, domestic coal, petroleum coke (petcoke) and coking coal. AIL has branch offices in Kapurthala (Punjab) and Gandhi Dham (Gujarat) while it also has a warehouse in Ludhiana, Punjab. Presently, the company is importing coal from USA based coal mines while domestically, the company is procuring Indonesian and domestic coal, petcoke and coking coal from traders. AIL is also operating a mobile application, 'Anmol Coal', providing real time information on coal prices and latest news updates on the coal industry which helps in marketing and client acquisition for the company.

Brief Financials (Rs. crore)	FY20(A)	FY21(A)
Total operating income	554.89	694.08
PBILDT	7.58	13.69
PAT	4.52	9.89
Overall gearing (times)*	1.65	1.13
Interest coverage (times)	3.00	5.23

A: Audited

**Unsecured loans amounting to Rs. 10.40 cr have been treated as Quasi Equity as on March 31, 2020 and March 31, 2021 and ratios are recalculated accordingly for FY20 and FY21*

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	23.00	CARE BBB; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	15.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Letter of credit	-	-	-	45.00	CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT*	-	-	-	-	1)CARE BB+; Stable (17-Oct-19) 2)Withdrawn (17-Oct-19)	1)CARE BB+; Stable (05-Dec-18) 2)CARE BB+; Stable (31-Oct-18)
2.	Non-fund-based - ST-Letter of credit	ST*	-	-	-	-	1)CARE A4+ (17-Oct-19) 2)Withdrawn (17-Oct-19)	1)CARE A4+ (05-Dec-18) 2)CARE A4+ (31-Oct-18)
3.	Fund-based - LT-Cash Credit	LT*	23.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (17-Dec-20) 2)CARE BBB-; Stable (05-Aug-20)	-	-
4.	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST*	15.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB-; Stable / CARE A3 (17-Dec-20)	-	-
5.	Non-fund-based - ST-Letter of credit	ST*	45.00	CARE A3+	-	-	-	-

**Long term/Short term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3.	Non-fund-based - ST-Letter of credit	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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