Anmol India Limited

August 18, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	25.00 (Reduced from 43.00)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Long Term / Short Term Bank Facilities	51.50	CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable/ A Two)	Revised from CARE BBB; Stable / CARE A3+ (Triple B; Outlook: Stable / A Three Plus)
Short Term Bank Facilities	225.25 (Enhanced from 117.25)	CARE A2 (A Two)	Revised from CARE A3+ (A Three Plus)
Total Bank Facilities	**301.75 (₹ Three Hundred One Crore and Seventy-Five Lakhs Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Anmol India Limited (AIL) takes into account substantial improvement in the scale of operation along with improvement in profitability of the company in FY22 (refers to the period April 01 to March 31) and Q1FY23 (refers to the period April 01 to June 30). The ratings continue to derive strength from the experienced & resourceful promoters with long track record of operations and established relationship with the customers and suppliers, moderate solvency position coupled with efficient working capital management. These rating strengths are, however, partially offset by the customer and supplier concentration risk coupled with inherent risk associated with the trading business and low profitability margins and susceptibility to regulatory changes, volatility in international prices and foreign exchange fluctuations.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in gross cash accruals more than Rs. 40 crores.
- Increase in the sales quantity and gross margin per tonne by 15% over FY22 levels.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant decline in the scale of operations or PBILDT margins falling below ~1.50%.
- Deterioration in the solvency position with overall gearing of above 1.80x 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 six 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.39.66 crores as on March 31, 2022 (PY: Rs. 19.62 crores), out of which Rs. 19.62 crores 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. Further, Major part of the sales of the company are made against advance orders at the pre-agreed prices which protect the company from volatility in the prices of the coal.

Increasing Scale of Operations along with improvement in profitability:

The total income achieved by AIL in FY22 grew at a healthy pace of 53.25% to Rs. 1059.39 crores from Rs. 691.26 crores in FY21. Further, during Q1FY23 company has booked revenue of Rs. 556.38 crores against Rs. 307.85 crores during Q1FY22 with a growth of 80.73% on quarter-on-quarter basis. The increase in the income has been on account of increased demand from existing customers as well as addition of news clients coupled with rise in coal prices. The PBILDT and PAT margins, improved

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

to 2.11% and 1.47% respectively, in FY22 from 1.57% and 1.43% respectively, in FY21. 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 FY22. Further, company is generating cash accruals marked by GCA of Rs. 15.78 crores during FY22 against GCA of Rs. 10.05 crores during FY21 which is further improving in current financial year as company has booked GCA of Rs. 8.17 crores in Q1FY23 against Rs. 5.97 crores during Q1FY22.

Moderate solvency position:
The capital structure of the company remains moderate during FY22 on a year-on-year basis, with the long-term debt- to-equity and overall gearing ratios of 0.25x and 2.00x as on March 31, 2022, respectively compared to 0.18x and 1.13x, respectively, as on March 31, 2021. The deterioration in capital structure was majorly due to higher utilisation of working capital limits on balance sheet date owing to improvement in revenue from operation by 53.25% during FY22 as compared to FY21. Further, the term debt of the company is limited to unsecured loans infused by promoters and related parties only. Company has infused unsecured loans from related parties in tune of Rs. 20.04 crores during the FY22 which is considered as debt besides that company has also issued fresh equity shares and has raised Rs. 5.23 crores during FY22. The interest coverage ratio of the company was also remains moderate at 3.46x in FY22 (P.Y 4.16x) due to higher interest expenses. Solvency position is likely to further strengthen during current financial year on account of accretion of profits.

Efficient Working Capital Management:
The operating cycle of the company stood low at 28 days as on March 31, 2022 (PY: 27 days). The company has lower inventory as majority of the inventory is sold in advance and directly shipped at client site from the port. Further, the company allows very limited credit period to its customer marked by average collection period of 14 days during FY22(PY: 17 days). On the supplier side, the company makes advance payment to domestic suppliers while imports are backed by letter of credit usually of 90 days. Company imports coal on sight LC and they are using suppliers' credit to defer its LC payment to the extent of tenor of LC which is usually 90 days from the date of bill of entry, suppliers' credit outstanding as on March 31,2022, was Rs. 120.66 crores.

Key rating weaknesses
Customer and supplier concentration risk:
The company derived ~44% of its total income in FY22 from the top five customers which is increased from ~27% during FY21. This leads to slightly concentrated revenue stream. On the supplier side also top five suppliers formed ~50% of the purchase costs in FY22 against ~65% during FY21. 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 2.11% and 1.47% respectively during FY22 against 1.57% and 1.43% in FY21. Further, company has booked PBILDT and PAT margins of 1.78% and 1.46% respectively during Q1FY23 against 2.27% and 1.93% during Q1FY22.

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 ~39% of the total purchase cost in FY22 valuing Rs. 422.23 crores against imports of 240.66 crores comprising ~36% during FY21. 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 1.49x, as on March 31, 2022 (PY: 1.66x). The quick ratio of the company stood at 0.99x, as on March 31, 2022 (PY: 1.35x as of March 2021). Further, the company has received Rs. 5.23 crores through allotment of fresh equity shares during the FY22. The company does not have any external term debt repayment obligation going forward apart from unsecured loans from related parties of Rs. 39.66 crores as at March 31,2022 (PY: 19.62 crores). The company mainly relies on non-fund-based funding (LC limits) for procuring imported coal. The operating cycle of the company remains moderate to 28 days as on March 31, 2022 (PY: 27 days). Average utilization of the non-fund based working capital limits stood at ~83% during the last 12 months ending May 2022. Further, company also issues fully cash backed LC wherever sanctioned LC limits gets exhausted resulting in higher requirement of margin money marked by cash and cash equivalent of Rs. 118.84 crores as at March 31,2022, against Rs. 59.84 crores as at March 31,2021.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Wholesale Trading](#)
[Short Term Instruments](#)

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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	June 30,2022 (UA)
Total operating income	691.26	1,059.39	556.38
PBILDT	10.87	22.34	9.91
PAT	9.89	15.55	8.13
Overall gearing (times)	1.13	2.00	NA
Interest coverage (times)	4.16	3.46	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.00	CARE BBB+; Stable
LT/ST Fund-based/non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	51.50	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	225.25	CARE A2

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (17-Oct-19) **2)CARE BB+; Stable** (17-Oct-19)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	-	**1)CARE A4+** (17-Oct-19) 2)Withdrawn (17-Oct-19)
3	Fund-based - LT-Cash Credit	LT	25.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (24-Mar-22) 2)CARE BBB; Stable (09-Aug-21)	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*	51.50	CARE BBB+; Stable / CARE A2	-	1)CARE BBB; Stable / CARE A3+ (24-Mar-22) 2)CARE BBB; Stable / CARE A3+ (09-Aug-21)	1)CARE BBB-; Stable / CARE A3 (17-Dec-20)	-
5	Non-fund-based - ST-Letter of credit	ST	225.25	CARE A2	-	1)CARE A3+ (24-Mar-22) 2)CARE A3+ (09-Aug-21)	-	-

*Long term/Short term.

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

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

Sr. No.	Name of 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

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

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

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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