

Alaknanda Fuel Private Limited

October 19, 2022

Ratings

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	18.56	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.40	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	18.96 (₹ Eighteen Crore and Ninety-Six Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Alaknanda Fuel Private Limited (AFPL) continue to remain constrained by short track record with small scale of operations and leveraged capital structure with moderate debt coverage indicators. The ratings also factor in risk associated with expansion project, susceptible to volatility in raw material prices and fragmented and highly competitive industry. The ratings, however, continue to derive comfort from the company being part of Alaknanda Group which has established presence in iron and steel sector and diversified use and favourable demand in end user industries

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings have been revised on account of non-receipt of Information from the client

Detailed description of the key rating drivers

At the time of the last rating on September 17, 2021, the following were the rating strengths & Weaknesses

Key rating weaknesses

Short track record with small scale of operation

AFPL was incorporated in March 2014 and after successfully setting up its manufacturing plant, the company has commenced its commercial operations from November 2018 and accordingly the company has short track record of operations of less than 3 years. The total operating income has improved during FY21 (Provisional) over FY20 on the back of receipt of new orders from Food Corporation of India (FCI). However, the overall scale of operations of the company remained small marked by total operating income of Rs.33.90 crore (FY20: Rs.26.66 crore) in FY21 (Provisional).

Risk associated with expansion project:

The company has proposed to expand its installed capacity to 1200 kgs/hour from existing capacity of 600 kgs/hour at its existing plant. It will cost around Rs.15.00 crore which is estimated to be funded through term loans of Rs.10.00 crore and balance through promoter's contribution. The financial closure for the debt is not yet tied up. Further, the company has not spent any fund towards the expansion project till August 16, 2021 and accordingly project funding and implementation risk exists. The company is expecting to complete the aforesaid expansion project by March 22.

Leveraged capital structure with moderate debt coverage indicators:

The overall capital structure of the group remained leveraged as indicated from overall gearing which stood at 2.39x as on Mar 31, 2021 as against 2.07x as on Mar 31, 2020. The increase was mainly due increase in COVID Loan and unsecured loan for meeting operating expenses during COVID pandemic and supporting the increasing scale of operation. The debt coverage indicators remained moderate marked by interest coverage ratio of 2.09x in FY21 vis-à-vis 2.15x in FY20. Total debt to GCA also moderated to 9.72x in FY21 vis-à-vis 6.88x in FY20.

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

Susceptible to volatility in raw material prices

The primary raw materials required for manufacturing of woven bags are HDPE and PP granules, the prices of which are dependent on crude oil prices which are highly volatile in nature. The selling price of finished goods are market determine and in some places the prices are fixed. Hence, the profitability margins of the company could get adversely affected with any sudden spurt in the raw material prices.

Fragmented and highly competitive industry

The polypropylene (PP) woven sacks/bags industry is dominated by various small and medium players operating in the small and medium-scale sector, resulting in high fragmentation and intense competition. Also, due to few suppliers of HDPE and PP granules, suppliers enjoy high bargaining power. Furthermore, due to low product differentiation and value addition, the industry is highly competitive with price being the key differentiating factor

Key rating strengths

Part of Alaknanda group which has established presence in iron and steel sector

AFPL belongs to Alaknanda Group, which is a known name in the iron & steel industry in Eastern India. The group has been manufacturing TMT bars and mild steel rounds and sales under its owned brand through its entity Alaknanda Sponge Iron Ltd (CARE BBB+; Stable/A2). This apart the group also sells its products under the brand name of "Kamdhenu" & "Kay2" in the state of West Bengal and for the same it pays royalty to the Kamdhenu group. AFPL is managed by Mr. Anand Kumar Saraogi who has more than two decades of experience in iron & steel industry, looks after the day to day operations of the company supported by the other directors Mr. Mukesh Kumar Bharuka, Mr. Vishal Sarda and Mr. Anurag Singhania.

Improvement in operating performance during FY21 (Provisional).

The capacity utilisation was low during FY20 as it was the first full year of operations after plant commencing in FY19. However, the same has improved to 71.39% in FY21 with increase in sales volume. The total operating income has witnessed year on year growth of 27.16% in FY21 on the back of increase in volumes and addition of new customers. The company witnessed moderation in PBILDT margin which stood at 12.55% in FY21 vis-à-vis 17.80% in FY20. The company lowered its margin to acquire new customers and increase its market share. However, PAT margin improved due to low capital charges in FY21. The interest coverage ratio declined to 2.09x in FY21 as against 2.15x in FY20 owing to decline in PBILDT. In the current fiscal year, the company has booked turnover of Rs.23.76 crore till August 31, 2021.

Analytical approach: Standalone with factoring linkage with Alaknanda Group

Applicable criteria

[Notching by Factoring Linkages in Ratings](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

Incorporated in March 2014, Alaknanda Fuel Private Limited (AFPL) is promoted by Mr. Anand Kumar Saraogi, Mr. Mukesh Kumar Bharuka, Mr. Vishal Sarda and Mr. Anurag Singhania. The company is into manufacturing of Polypropylene woven bags in the state of West Bengal with an aggregate installed capacity of 4320 metric tons per annum (MTPA). The company belongs to Alaknanda Group, which is engaged in manufacturing of iron and steel products namely TMT bars and mild steel rounds and sales under its own brands through flagship entity Alaknanda Sponge Iron Ltd. For diversification of its business profile, the group has set up a manufacturing plant for polypropylene woven bags under AFPL which has started its commercial operation from November 2018. AFPL is currently selling its product under the brand name of "Gemini"

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	H1FY23 (P)
Total operating income	33.90	59.52	NA
PBILDT	4.18	4.41	NA
PAT	0.50	0.77	NA
Overall gearing (times)	2.41	2.63	NA
Interest coverage (times)	2.05	2.27	NA

A: Audited; P: Provisional; NA: Not Applicable

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 facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	9.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	December 2025	7.09	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working capital Term Loan		-	-	June 2024	2.47	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	0.40	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the 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-Term Loan	LT	7.09	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (17-Sep-21) 2)CARE BB-; Stable (24-Aug-21)	1)CARE BB-; Stable (16-Jul-20)	1)CARE B+; Stable (30-May-19)
2	Fund-based - LT-Cash Credit	LT	9.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (17-Sep-21) 2)CARE BB-; Stable (24-Aug-21)	1)CARE BB-; Stable (16-Jul-20)	1)CARE B+; Stable (30-May-19)
3	Non-fund-based - ST-Bank Guarantee	ST	0.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (17-Sep-21) 2)CARE A4 (24-Aug-21)	1)CARE A4 (16-Jul-20)	1)CARE A4 (30-May-19)
4	Fund-based - LT-Working capital Term Loan	LT	2.47	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (17-Sep-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	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	Simple
4	Non-fund-based - ST-Bank Guarantee	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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