Anmol India Limited

January 11,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.00	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	80.50	CARE BBB+; Stable / CARE A2	Reaffirmed
Short Term Bank Facilities	499.50	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Anmol India Limited (AIL) continue to derive strength from the experience of the promoters coupled with long track record of operations and established business relationships with the customers and suppliers. Furthermore, the ratings also continue to draw strengths from moderate scale of operations and profitability along with moderate solvency position and efficient working capital management.

However, the rating strengths are partially offset by the customer and supplier concentration risk, 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: Factors likely to lead to rating actions.

Positive factors

- Improvement in gross cash accruals of more than ₹40 crore.
- Improvement in the capital structure at net debt level (net of lien marked cash and cash equivalents) as reflected by overall gearing below 0.60x.

Negative factors

- Significant decline in the scale of operations or PBILDT margins falling below around 1.50%.
- Deterioration in the solvency position at net debt level with overall gearing of above unity owing to increased working capital dependence.

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook to the bank facilities of AIL takes into account continuing capabilities of the management due to its long track record of operations to mitigate the inherent risk related to the fluctuations in raw material prices and competitive nature of operations.

Detailed description of the key rating drivers:

Key strengths

Experienced and resourceful promoters

AIL is promoted by Vijay Kumar, Tilak Raj and Chakshu Goyal. Vijay Kumar has been involved in the same line of operations for more than 3.5 decades. Tilak Raj also has experience of around two decades, while the third director of the company, Chakshu Goyal (son of Vijay Kumar) has been engaged in AIL for the last eight years. The promoters are further supported by professional management team having rich experience in respective domain. Besides, the promoters are resourceful and has extended continuous support to fund various requirements of the company in the past in the form of unsecured loans. The unsecured loans stood at ₹40.16 crore as on September 30, 2023, as against ₹40.10 crores as on March 31,2023, of which ₹40 crore is subordinated to bank loan.

Long track record of operations and established business relationships with the customers and suppliers

AIL has been in the coal trading business since 1998. Furthermore, the promoters of the company hold extensive industry experience, which has helped the company in building strong business relationships with its clients and suppliers. AIL has a strong and increasing customer base in Gujarat, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh, Uttarakhand, Chandigarh, etc.

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

Furthermore, the majority 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.

Moderate scale of operations and profitability

The total income of AIL continues to remain moderate and has increased by 33.09% during FY23 (Audited, refers to the period of April 01 to March 31) to ₹1,410.24 crore from ₹1,059.59 crore in FY22 (Audited, refers to the period of April 01 to March 31). Furthermore, during H1FY24 (Unaudited, refers to the period of April 01 to September 30), the company has booked revenue from operations of ₹694.35 crore as against ₹687.17 crore during H1FY23 (Unaudited, refers to the period of April 01 to September 30). The improvement in the income during FY23 has been on account of the increased demand from the existing customers as well as the addition of news clients coupled with rise in the coal prices. The profitability of the company also continues to remain moderate as reflected by PBILDT and profit after tax (PAT) margins of 2.03% and 1.32%, respectively, in FY23 as compared with 2.13% and 1.46%, respectively, in FY22. Although, in H1FY24, scale of operations remains in similar line as compared with H1FY23, however, profitability has been improved as reflected by PBILDT and PAT margins of 2.91% and 1.80%, respectively, in H1FY24 as compared to 2.09% and 1.47%, respectively, in H1FY23. Thus, owing to which, the company has generated cash accruals marked by GCA of ₹19.09 crore during FY23 (PY: ₹15.72 crore) and ₹12.71 crore in H1FY24 (PY: ₹10.33 crore). The profitability of the company is also supported by interest income and other non-operating income which stood at ₹7.92 crore during FY23 as compared with ₹4.97 crore during FY22.

Moderate solvency position

The capital structure of the company continues to remain moderate as on March 31, 2023, on a year-on-year basis, as reflected by the overall gearing ratios of 2.07x (0.82x on net debt basis) as on March 31, 2023, compared with 2.00x (0.51x on net debt basis) as on March 31, 2022. The slight deterioration in the capital structure was majorly due to higher utilization of CC limits on balance sheet date for FY23 as compared with FY22. Furthermore, the term debt of the company is limited to unsecured loans infused by the promoters and related parties only which is already subordinated to bank loan. However, capital structure has improved substantially as at September 30,2023, as reflected by overall gearing of 0.79 times majorly due to lower utilization of working capital limits. The interest coverage ratio of the company also remained moderate at 2.61x for FY23 as compared with 3.50x for FY22.

Efficient working capital management

The operating cycle of the company stood moderate at 52 days as on March 31, 2023 (PY: 28 days). The slight deterioration in the operating cycle of was majorly due to higher inventory holding on balance sheet date of FY23, although majority of the inventory is sold in advance and directly shipped to the client site from the port. The company has inventory holding of ₹207 crore as on March 31, 2023, majorly due to arrival of fresh shipment which is against back-to-back orders from the buyers. Furthermore, inventory holding has been reduced to ₹118.92 crore as on November 30, 2023, majority of which is against back-to-back orders and balance is open which is directly supplied to brick kiln's and has better margins so as to cover fluctuation risks. Furthermore, the company allows very limited credit period to its customers marked by average collection period of 14 days during FY23 (PY: 14 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. The company imports coal on sight LC and uses suppliers'/buyers' credit to defer its LC payment to the extent of tenor of LC. Suppliers'/buyers' credit outstanding as on March 31, 2023, was ₹130.88 crore (PY: ₹120.66 crore).

Key weaknesses

Customer and supplier concentration risk

The company derived around 42.23% of its total income in FY23 from the top five customers, which remained in similar line around 43.90% during FY22. This leads to slightly concentrated revenue stream. On the supplier side also top five suppliers formed around 45.46% of the purchase costs in FY23 against around 49.76% during FY22. Thus, 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 remained low at 2.03% and 1.32%, respectively, during FY23 (Audited; refers to the period of April 01 to March 31) against 2.13% and 1.46% in FY22 (Audited; refers to the period of April 01 to March 31). Furthermore, PAT of the company includes non-operating income (majorly includes interest income on FDRs) of ₹7.89 crore during FY23 (PY: ₹4.98 crore).

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 the coal prices can affect the profitability of AIL. Domestically, coal has remained a highly regulated commodity. Furthermore, coal importers also face regulatory risk in the form of custom duty variations, etc. The imports formed around 46% of the total purchase cost in FY23 valuing ₹686.14 crore against imports of ₹422.28 crore comprising around 39% during FY22. Although the company hedges the pricing and the exchange risk to a large extent, by booking purchases on confirmed buying orders from the customers which is also booked in foreign currency so as to mitigate raw material fluctuation risk and currency fluctuation risk, however, 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 company has earned gross cash accruals (GCA) of ₹18.65 crore during FY23 and is projecting to generate GCA of around ₹22 crore (of which ₹12.71 crores is earned in H1FY24) and around ₹23 crore in FY24 and FY25, respectively, as against nil scheduled repayment obligations as the company do not have any term liabilities apart from unsecured loans from related parties of ₹40.16 crore as at September 30,2023, of which ₹40 crores is subordinated to bank loan. The current and quick ratio stood at a moderate level of 1.33x and 0.74x, as on March 31, 2023, as compared with 1.49x and 0.99x as on March 31, 2022. Since, company has inventory holding of ₹207.56 crore as on March 31, 2023 (PY: ₹98.38 crore) leading to quick ratio below unity. However, working capital utilization of non-fund-based limits remains high at 88.11% during last 12 months ending November 2023 and the company also opens FD backed Letter of credit frequently.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

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

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

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, 2022 (A)	March 31, 2023 (A)	September 30,2023 (UA)
Total operating income	1,059.59	1,410.24	694.35
PBILDT	22.53	28.59	20.24
PAT	15.49	18.65	12.53
Overall gearing (times)	2.00	2.94	0.79
Interest coverage (times)	3.50	2.61	2.29

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/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		-	-	-	20.00	CARE BBB+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	80.50	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Forward Contract		-	-	-	1.48	CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	498.02	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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB+; Stable	1)CARE BBB+; Stable (29-Sep-23)	1)CARE BBB+; Stable (24-Feb-23) 2)CARE BBB+; Stable (18-Aug-22)	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)
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST*	80.50	CARE BBB+; Stable / CARE A2	1)CARE BBB+; Stable / CARE A2 (29-Sep-23)	1)CARE BBB+; Stable / CARE A2 (24-Feb-23) 2)CARE BBB+; Stable / CARE A2	1)CARE BBB; Stable / CARE A3+ (24-Mar-22) 2)CARE BBB; Stable / CARE A3+	1)CARE BBB-; Stable / CARE A3 (17-Dec-20)

						(18-Aug-22)	(09-Aug-21)	
3	Non-fund-based - ST-Letter of credit	ST	498.02	CARE A2	1)CARE A2 (29-Sep-23)	1)CARE A2 (24-Feb-23) 2)CARE A2 (18-Aug-22)	1)CARE A3+ (24-Mar-22) 2)CARE A3+ (09-Aug-21)	-
4	Non-fund-based - ST-Forward Contract	ST	1.48	CARE A2	1)CARE A2 (29-Sep-23)	1)CARE A2 (24-Feb-23)	-	-

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

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-Forward Contract	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Note on the 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:
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