

## Alaknanda Sponge Iron Limited

March 28, 2024

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long-term bank facilities	94.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB+; Negative and moved to ISSUER NOT COOPERATING category
Short-term bank facilities	32.30	CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE A2 and moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Alaknanda Sponge Iron Limited (ASIL) to monitor the ratings vide e-mail communications dated November 07, 2023, March 15, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on ASIL's bank facilities will now be denoted as **CARE BB+/CARE A4+; ISSUER NOT COOPERATING\***.

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

The ratings have been revised on account of significant moderation in adjusted overall gearing and moderation in profitability margin in FY23 (refers to period April 01 to March 31) albeit increase in revenue along with lack of clarity on future growth strategy and inability to monitor the performance of the company which is critical for assessing the credit profile of the company. Further, the ratings also remain constrained by moderate capacity utilization, susceptibility of profitability to volatility in prices of raw material and finished goods along with the cyclical nature of steel industry. However, the ratings derive strength from long experience of promoters in the iron and steel industry, locational advantage of the manufacturing plant, strong association with the principal manufacturer viz Kamdhenu Limited.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of last rating on April 06, 2023, the following were the rating strengths and weaknesses (updated for the information available from the company)

#### Key weaknesses

##### High adjusted overall gearing ratio even though capital structure remains satisfactory at standalone level

The adjusted overall gearing deteriorated and stood at 2.61x as on March 31, 2023, as against 2.02x as on March 31, 2022, due to further guarantees being extended by ASIL against loans to its sister concerns which increased from Rs.154.75 crore as on March 31, 2022, to Rs.215 crore as on March 31, 2023. However, on a standalone basis, the overall gearing has remained stable at 0.50x as on March 31, 2023, as against 0.39x as on March 31, 2022. The slight moderation is on account of increase in utilisation of its working capital facility. The total debt (TD)/GCA ratio has moderated from 1.78x as on March 31, 2022, to 3.29x as on March 31, 2023, on the back of decline in GCA along with increase in total debt.

##### Moderation in profitability margin albeit increase in revenue

Though the total operating income (TOI) of the company witnessed y-o-y growth of 18.96% to Rs.880.92 crore in FY23 as against Rs.740.49 crore in FY22, however the PBILDT margin moderated from 3.80% in FY22 to 2.50% in FY23. The moderation in PBILDT margin led to moderation in PAT margin as well.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; based on best available information.

### Moderate capacity utilization

The operations of ASIL are partially integrated as billets required for manufacturing of TMT wire rods and binding wires are manufactured in house. The capacity utilization (CU) of billets has improved to around 74% in FY22 from 62% in FY21 on back of relaxation in COVID-19 induced lockdowns. The CU of rolled products has been improving y-o-y from 49% in FY20 to 67% in FY22. Though the CU has witnessed an increase in FY22 over FY21 level, the same continues to remain moderate.

### Profitability susceptible to volatility in raw-material and finished good prices

Raw-material and power are the major cost drivers for ASIL. The raw material cost constituted around 81% and power cost constituted 14% of total cost of sales in FY22. The major raw materials required are sponge iron, pig iron and scrap which the company procures locally while power is sourced from Damodar Valley Corporation. Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material and finished goods prices.

### Cyclical nature of the steel industry

Steel is a cyclical industry, strongly correlated to economic cycles since its key users i.e., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. Fall in demand in any of these sectors directly impacts the demand of steel products. The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

### Key strengths

#### Long experience of promoters in steel industry

The company is promoted by Anand Kumar Saraogi, his brother Vishal Saraogi and Sandeep Agarwal. The promoters have an extensive track record of more than two decades in the steel sector. The promoters are actively involved in day-to-day affairs of the company. They are adequately supported by a team of experienced professionals.

#### Locational advantage in terms of proximity to source of raw materials as well as end user market for finished goods

The plant location is favourable in terms of ready availability of raw materials like sponge iron and pig iron. Since, the neighbouring states like Jharkhand and Odisha have abundant iron ore reserves, timely supply of raw materials at a reasonable transportation cost is ensured. Moreover, ASIL's customers are largely located in the state of West Bengal resulting in low transportation cost and timely delivery of products.

#### Strong association with the principal manufacturer of Kamdhenu in West Bengal

ASIL has been associated with the Kamdhenu group since 2010, with a consistent track record of continuity of agreement. The company has entered into a royalty-based agreement and manufactures Kamdhenu and KAY2 thermo-mechanically treated bars (TMT) bars/rolls for the state of West Bengal.

### Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Iron & Steel](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

ASIL, was incorporated as Alaknanda Sponge Iron Private Limited in 2003 and was converted into a public limited company in 2011. The company is promoted by Mr. Anand Kumar Saraogi, Mr. Vishal Saraogi and Mr. Sandeep Agarwal. ASIL started

commercial production in January 2009 with manufacturing of TMT Bars and MS Rounds. The company has its manufacturing facility located at Durgapur, West Bengal with an installed capacity of 197,000 MTPA of Billets and 114,400 MTPA for Rolled products. Apart from selling Billets and TMT under its own brand, ASIL also sells TMT bars under the brand name of "Kamdhenu" & "Kay2" and for the same it pays royalty to Kamdhenu Limited and Kamdhenu Metallic Industries Limited respectively.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	740.49	880.92
PBILDT	28.11	22.03
PAT	13.39	7.14
Overall gearing (times)	0.39	0.50
Interest coverage (times)	9.43	6.25

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

**Status of non-cooperation with previous CRA:** CRISIL has continued the ratings assigned to the bank facilities of ASIL into 'Issuer not-cooperating' category vide press release dated February 10, 2023, on account of non-availability of requisite information from the company.

India Ratings has continued the ratings assigned to the bank facilities of ASIL into 'Issuer not-cooperating' category vide press release dated September 12, 2023, on account of non-availability of requisite information from the company.

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	93.67	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	December 2024	0.33	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	21.30	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	11.00	CARE A4+; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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	Non-fund-based - ST-Bank Guarantee	ST	21.30	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A2 (06-Apr-23)	-	1)CARE A2 (03-Feb-22)	1)CARE A2 (22-Jan-21) 2)CARE A2 (04-Jan-21)
2	Fund-based - LT-Term Loan	LT	0.33	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB+; Negative (06-Apr-23)	-	1)CARE BBB+; Stable (03-Feb-22)	1)CARE BBB+; Stable (22-Jan-21) 2)CARE BBB+; Stable (04-Jan-21)
3	Fund-based - LT-Cash Credit	LT	93.67	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB+; Negative (06-Apr-23)	-	1)CARE BBB+; Stable (03-Feb-22)	1)CARE BBB+; Stable (22-Jan-21) 2)CARE BBB+; Stable (04-Jan-21)
4	Non-fund-based - ST-Letter of credit	ST	11.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A2 (06-Apr-23)	-	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: 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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	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](mailto:care@careedge.in) for any clarifications.

### Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Arindam Saha Director <b>CARE Ratings Limited</b> Phone: +91-033- 40181631 E-mail: <a href="mailto:arindam.saha@careedge.in">arindam.saha@careedge.in</a></p> <p>Kamal Mahipal Assistant Director <b>CARE Ratings Limited</b> Phone: +91-033- 40181628 E-mail: <a href="mailto:kamal.mahipal@careedge.in">kamal.mahipal@careedge.in</a></p> <p>Tridib Kundu Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Tridib.Kundu@careedge.in">Tridib.Kundu@careedge.in</a></p>
---	---

### 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.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**