Anmol India Limited

August 21, 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	254.77 (Enhanced from 80.50)	CARE BBB+; Stable / CARE A2	Reaffirmed
Short Term Bank Facilities	325.23 (Reduced from 499.50)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of 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. The ratings also factor in average solvency position of the company marked by moderate overall gearing and debt coverage indicators coupled with efficient working capital management. However, the rating strengths are partially offset by the customer and supplier concentration risk, and inherent risk associated with the trading business. The ratings are also constrained by 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 Rs. 40 crores.
- 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 with PBILDT margin 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 Mr. Vijay Kumar, Mr. Tilak Raj and Mr. Chakshu Goyal. Mr. Vijay Kumar has been involved in the same line of operations for more than 35 years. Mr. Tilak Raj also has experience of around two decades, while the third director of the company, Mr. Chakshu Goyal (son of Mr. Vijay Kumar) has been engaged in AIL for the last nine 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 from directors stood at Rs. 40.90 crore as on March 31, 2024, of which Rs. 40 crores are subordinated to bank loan.

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

Long track record of operations and established business relationships with the customers and suppliers albeit concentration risk: AIL is engaged 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 growing customer base in Gujarat, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh, Uttarakhand, Chandigarh, etc. Furthermore, the majority of the sales of the company are made against advance orders at the pre-agreed prices, which protects the company from any abrupt fluctuations in the prices of the coal.
However, the company derived around 40.54% of its total income in FY24 (refers to the period April 01 to March 31) from the top five customers, which remained in similar line around 42.23% during FY23. This leads to slightly concentrated revenue stream. On the supplier side also, the top five suppliers contributed around 60.13% of the total purchases in FY24 against around 45.46% during FY23. Thus, any change in the policies or performance of the customers and suppliers will directly impact AIL.

Moderate scale of operations and profitability: The total operating income (TOI) of the company continues to remain moderate and has increased by 6.45% to Rs. 1501.24 crore during FY24. Furthermore, during Q1FY25 (refers to the period April 01 to June 30), the company booked total operating income of Rs. 520.93 crores as against Rs. 480.16 crores during Q1FY24. The growth in the income during FY24 was driven by the increased demand from the existing customers as well as addition of news clients. The profitability of the company also continues to remain moderate as reflected PBILDT and PAT margins of 1.94% and 1.39% respectively, in FY24. The PBILDT margin has moderated during FY24 owing to increase in overhead expenses. Further, the profitability margins moderated in Q1FY25 (PBILDT: 1.26% and PAT: 0.77%) as against Q1FY24 (PBILDT: 2.68% and PAT: 1.91%) due to the Baltimore incident in USA which resulted in delayed shipment. However, to fulfil the commitments of orders booked, the company had purchased coal from domestic markets and supplied it to its customers. The same resulted in slightly lower margins which is reflected by the moderation in profitability of the company during Q1FY25.

Average solvency position: The capital structure of the company continues to remain moderate, but improved, as on March 31, 2024, to 0.78x as against 2.27x as on March 31, 2023. The improvement in the capital structure was primarily due to lower utilization of working capital borrowings as on balance sheet date. Furthermore, the long 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. The interest coverage ratio of the company also remained moderate at 2.17x for FY24 as compared with 2.61x for FY23.

Efficient working capital management: The operating cycle of the company improved, although stood moderate at 37 days as on March 31, 2024 (PY: 52 days). The improvement in operating cycle was primarily owing to lower inventory as on March 31, 2024. Furthermore, the company allows very limited credit period to its customers marked by average collection period of 15 days during FY24 (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, which is usually 90 days from the date of bill of entry, suppliers'/buyers' credit outstanding as on March 31, 2024, was Rs. 44.40 crore (PY: Rs. 130.88 crore).

Key weaknesses

Inherent risk associated with the trading business: 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.

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 the company. Domestically, coal has remained a highly regulated commodity. Furthermore, coal importers also face regulatory risk in the form of custom duty variations, etc. The company imports during FY24 were recorded at ~Rs. 731 crores which formed around 56% of the total purchases which used be around 46% during FY23. 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 to mitigate raw material fluctuation risk and currency fluctuation risk. Further, it also provides visibility of sales and saves company from high cost on inventory holding. Moreover, company takes EMD money which generally remains at 10% against counter order from their buyer which company supplies to buyers over the period as a when required. 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 Rs. 21.30 crores during FY24 and is projecting to generate GCA of around Rs ~20 crores & Rs ~22 crores in FY25 & FY26 respectively as against nil scheduled repayment obligations as company don't have any term liabilities apart from unsecured loans from related parties of Rs. 40.90 crores. The current and quick ratio stood at a moderate level of 1.92x and 1.53x, as on March 31, 2024, as compared with 1.33x and 0.74x as on March 31, 2023. The improvement in quick ratio is on account of improvement in inventory holding of Rs. 57.61 crores as on March 31, 2024, (PY: Rs. 207.56 crores). However, working capital utilisation of working capital limits remains 77.28% during last 12 months ending June 2024.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
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 (pet coke) 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, pet coke 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, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	1,410.24	1,501.24	520.93
PBILDT	28.62	29.17	6.58
PAT	18.65	20.92	4.00
Overall gearing (times)	2.27	0.78	NA
Interest coverage (times)	2.61	2.17	1.49

A: Audited; UA: Unaudited; NA: Not Available; 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	Coupon Rate (%)	Maturity Date	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	-	-	-	-	254.77	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Forward Contract	-	-	-	-	1.48	CARE A2
Non-fund-based - ST-Letter of credit	-	-	-	-	323.75	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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (11-Jan-24) 2)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)
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	254.77	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (11-Jan-24) 2)CARE BBB+; Stable / CARE A2 (29-Sep-23)	1)CARE BBB+; Stable / CARE A2 (24-Feb-23) 2)CARE BBB+; Stable / CARE A2 (18-Aug-22)	1)CARE BBB; Stable / CARE A3+ (24-Mar-22) 2)CARE BBB; Stable / CARE A3+ (09-Aug-21)
3	Non-fund-based - ST-Letter of credit	ST	323.75	CARE A2	-	1)CARE A2 (11-Jan-24) 2)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 (11-Jan-24) 2)CARE A2 (29-Sep-23)	1)CARE A2 (24-Feb-23)	-

LT: Long term; ST: Short term; LT/ST: 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:
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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