Anmol India Limited

February 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.00 (Reduced from 25.00)	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	80.50 (Enhanced from 51.50)	CARE BBB+; Stable / CARE A2	Reaffirmed
Short Term Bank Facilities	1.48	CARE A2	Assigned
Short Term Bank Facilities	359.77 (Enhanced from 225.25)	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 experienced and resourceful promoters coupled with long track record of operations and established business relationships with the customers and suppliers, moderate scale of operations/profitability & solvency position and efficient working capital management. However, the ratings strengths are partially offset by risk associated with concentration of customer and supplier coupled with inherent risk associated with the trading business 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 more than Rs. 40 crores.
- Increase in the sales quantity and gross margin per tonne by 15% over FY22 levels.

Negative factors

- 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.

Analytical approach: Standalone

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 an experience of around two decades, while the third director of the company, Chakshu Goyal (son of Vijay Kumar) has been engaged in AIL since the last six years. Promoters are further supported by professional management team having rich experience in respective domain. Besides, 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 ₹40.44 crore as on December 31, 2022, which has increased from ₹39.66 crore as at March 31,2022.

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 an 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. Furthermore, 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 39.43% during 9MFY23 (Unaudited, refers to the period of April 01 to December 31) to ₹1040.10 crore from ₹745.94 crore in 9MFY22 (Unaudited, refers to the period of April 01 to December 31). Furthermore, during 9MFY23, the scale of company has already reached closed to the revenue from operations booked during complete FY22 which was ₹1059.39 crore. The increase in the income has been on account of the increased demand from the existing customers as well as addition of news clients coupled with rise in the coal prices. The profitability of the company also continues to remain moderate as reflected PBILDT and PAT margins of 2.05% and 1.37% respectively, in 9MFY23 as compared to 1.89% and 1.66% respectively, in 9MFY22. Owing to

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

which, the company has generated cash accruals marked by GCA of ₹14.61 crore during 9MFY23 against GCA of ₹12.55 crore during 9MFY22. The profitability of company is also supported by interest income and other non-operating income which stood at ₹5.57 crores during 9MFY23 as compared to ₹6.08 crores during 9MFY22.

Moderate solvency position: The capital structure of the company continues to remain moderate as on Dec 31, 2022, on a year-on-year basis, with overall gearing ratios of 1.90x as on December 31, 2022, compared to 2.00x as on March 31, 2022. The slight improvement in the capital structure was majorly due to higher subordination of unsecured loans of ₹39.66 crores as at December 31,2022, as compared to subordination of only ₹19.62 crores as at March 31,2022, against total unsecured loans from related parties of ₹39.66 crores. Furthermore, the term debt of the company is limited to unsecured loans infused by promoters and related parties only which is entirely subordinated to bank loan. The interest coverage ratio of the company also remained moderate at 2.85 times for 9MFY23.

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. Furthermore, the company allows very limited credit period to its customers 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. The company imports coal on sight LC and uses 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 December 31, 2022, was ₹152.69 crore.

Key weaknesses

Customer and supplier concentration risk: The company derived around 44% of its total income in FY22 from the top five customers, which is increased from around 27% during FY21. This leads to slightly concentrated revenue stream. On the supplier side also top five suppliers formed around 50% of the purchase costs in FY22 against around 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 remained low at 2.05% and 1.37%, respectively, during 9MFY22 against 1.89% and 1.66% in 9MFY22. Further, PAT of company includes non-operating income (majorly includes interest income on FDRs) of ₹5.57 crores during 9MFY23.

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 39% of the total purchase cost in FY22 valuing ₹422.23 crore against imports of ₹240.66 crore comprising around 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) whereas quick ratio of the company stood at 0.99x, as on March 31, 2022 (PY: 1.35x as of March 2021). Furthermore, the company has received ₹5.23 crore through allotment of fresh equity shares during the FY22. The company does not have any external term debt repayment obligation going forward apart from the unsecured loans of ₹39.66 crore from related parties as on March 31, 2022 (PY: ₹19.62 crore). The company mainly relies on non-fund-based funding (LC limits) for procuring imported coal and the operating cycle of the company remains moderate to 28 days as on March 31, 2022 (PY: 27 days). Average utilisation of the non-fund-based working capital limits stood at around 93% during the last 12 months ending January 2023. Furthermore, the company also issues fully cash backed LC wherever sanctioned LC limits get exhausted resulting in higher requirement of margin money marked by cash and cash equivalent of ₹118.84 crore as on March 31,2022, against ₹59.84 crore as on March 31, 2021.

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
Policy on Withdrawal of Ratings

About the company and industry

Industry Classification

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

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	December 31,2022 (UA)
Total operating income	691.26	1,059.39	1040.10
PBILDT	10.87	22.34	21.31
PAT	9.89	15.55	14.23
Overall gearing (times)	1.13	2.00	1.90
Interest coverage (times)	4.16	3.46	2.85

A: Audited; UA: Unaudited

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 the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the 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		-	-	-	359.77	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)CARE BB+; Stable (17-Oct-19) 2)Withdrawn (17-Oct-19)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	-	1)Withdrawn (17-Oct-19) 2)CARE A4+ (17-Oct-19)
3	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB+; Stable	1)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)	-
4	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 (18-Aug-22)	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	359.77	CARE A2	1)CARE A2 (18-Aug-22)	1)CARE A3+ (24-Mar-22) 2)CARE A3+ (09-Aug-21)	-	-
6	Non-fund-based - ST-Forward Contract	ST	1.48	CARE A2				

*Long term/Short term.

Annexure-3: Detailed explanation of the 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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