Anmol (India) Limited

October 31, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	25.00	**CARE BB+; Stable [Double B Plus; Outlook: Stable]**	Revised from CARE BB; Stable [Double B; Outlook: Stable]
Short-term Bank Facilities	0.50	**CARE A4+ [A Four Plus]**	Revised from CARE A4 [A Four]
Total Facilities	**25.50 (Rs. Twenty Five crore and fifty lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Anmol (India) Limited (AIL) takes into account the increasing scale of operations with improvement in profitability margins and overall solvency position in FY18 (refers to the period April 01 to March 31). The ratings further derive strength from the long track record of operations with experienced & resourceful promoters, AIL's established business relationship with the customers and satisfactory operating cycle.

The ratings, however, are constrained by the inherent risk associated with the trading nature of the business, susceptibility of margins to volatility in international market prices of coal and regulatory changes.

Going forward, the ability of the company to profitably scale up its operations amidst the government regulations and competitive scenario along with further improvement in its overall solvency position shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Improvement in the financial risk profile: The total operating income of AIL increased by ~60% from Rs. 186.49 crore in FY17 to Rs.299.15 crore in FY18 on the back of increased orders from existing customers as well as new customers. The profitability margins, though low, have remained on an improving trend as marked by the PBILDT and PAT margins of 2.15% (1.72% in FY17) and 0.88% (0.58% in FY17), respectively, in FY18. The same was on the back of reduced selling expenses and less than proportionate increase in employee cost, which also led to an improvement in the PAT margins. The capital structure of AIL improved with long-term debt to equity (D:E) ratio and overall gearing ratios of 0.82x (PY: 1.31x) and 1.90x (PY: 3.08x), respectively, as on March 31, 2018 on account of lower working capital borrowings and accretion of net profit to reserves. The company did not have any external term debt obligation as on March 31, 2018. The debt coverage indicators remained comfortable marked by interest coverage ratio of 3.15x, in FY18 and total debt to GCA ratio of 7.94x, as on March 31, 2018; which improved from 2.15x and 22.80x, respectively, on a year-on-year basis. The improvement in debt coverage indicators was on account of better profitability generated by the company during the year.

Long track records of operations with experienced & resourceful promoters: AIL was established in the year 1998 and is promoted by Mr. Vijay Kumar and Mr. Tilak Raj who have experience of more than 3 decades and around 2 decades, respectively. They are assisted by a team of professionals who are highly experienced in their respective domains. To fund various business requirement of the company in the past, regular funds have been infused by the directors and related parties in the form of unsecured loans.

Established business relationship with the customers: AIL has been in the coal trading business since 1998. Further, the promoters of the company hold an extensive industry experience ranging over 20 years. Long standing in the market has helped the company in building strong business relationships with its clients.

Key Rating Weaknesses

Inherent risk associated with trading nature of the business: The company is exposed to the risks associated with the trading nature of business like inherently low profitability margins, etc. Though the profitability margins improved on a year-on-year basis in FY18, they continued to remain low. The company is also exposed to the competition in coal trading business due to low entry barriers.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Susceptibility to volatility in international prices: The price of coal is decided in the international market based on the calorific value (a measure of quality) of the coal. The prices and therefore margins for traders are therefore susceptible to this volatility in the international price indices.

Susceptibility to regulatory changes: Coal importers face regulatory risk in the form of custom duty variations, etc.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Wholesale Trading
Financial ratios – Non-Financial Sector

About the Company
Incorporated in 1998, as a private limited company and converted into public limited company in 2000, Anmol (India) Limited (AIL) is promoted by Mr. Vijay Kumar and Mr. Tilak Raj. The company is engaged in the wholesale trading of coal, primarily USA Coal and Indonesian coal. Other commodities include petroleum coke or petcoke and coking coal. AIL is having a nation-wide presences through its head office in Guwahati and branch offices in Kapurthala, Punjab and Gandhidham (Gujarat). The company is also having its warehouse facility and corporate office situated in Ludhiana, Punjab. The company sells its products to end users, mainly Brick Kiln Industry, cement industry, steel rolling industry, coke manufacturers and coal traders. AIL also has a mobile application, 'Anmol Coal', which provides real time updates on coal prices and latest news updates of the coal industry.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	186.49	299.15
PBILDT	3.21	6.42
PAT	1.09	2.62
Overall gearing (times)	3.08	1.90
Interest coverage (times)	2.15	3.15

A: Audited
Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	25.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	0.50	CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable	-	1)CARE BB; Stable (10-Oct-17)	-	-
2.	Non-fund-based - ST-Letter of credit	ST	0.50	CARE A4+	-	1)CARE A4 (10-Oct-17)	-	-

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