Anmol India Limited (Revised)

December 17, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	23.00 (enhanced from 15.00)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
Long term/short term Bank Facilities	15.00	**CARE BBB-; Stable/ CARE A3 (Triple B Minus; Outlook: Stable/ A Three)**	**Assigned**
Total Facilities	**38.00 (Rs. Thirty eight crores only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Anmol (India) Limited (AIL) derives strength from the experienced & resourceful promoters, satisfactory overall solvency position and healthy scale up of operations in the past. The rating further derives strength from the long track record of operations and established business relationship with the customers & suppliers. The rating, however, remains constrained by the inherent risk associated with the trading nature of the business, low profitability margins, susceptibility of margins to volatility in international market prices of coal and regulatory risk in the industry.

Positive sensitivities

- *Profitable scale up of operations with PBILDT margins improving to above ~3%*
- *Improvement in the solvency position with an overall gearing ratio of below unity and total debt to CFO below ~4x*

Negative sensitivities

- *Significant decline in scale of operations or PBILDT margins falling below ~1%*
- *Deterioration in the solvency position with an overall gearing ratio of above 2x owing to increased working capital dependence*

Detailed description of the key rating drivers

Key Rating 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 same line of operations for more than 3.5 decades. Mr. Tilak Raj, also, has an experience of around 2 decades while the third director of the company, Mr. Chakshu Goyal (son of Mr. Vijay Kumar) has been engaged in AIL since the last four years. To fund various requirements of the company in the past, the promoters have infused funds in the form of unsecured loans. An additional Rs.0.51 Cr. was infused during FY20 (refers to the period April 01 to March 31) and further an additional Rs.2.35 Cr. has also been infused in H1FY21 (UA) taking the total unsecured loans to Rs.12.75 Cr., as on September 30, 2020.

Long track record of operations and established business relationships with the customers and suppliers: AIL has been in the coal trading business since 1998. Further, the promoters of the company hold an extensive industry experience. Long standing in the market has helped the company in building strong business relationships with its clients and suppliers. AIL's has a strong and increasing customer base in Gujarat, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh, Uttarakhand, Chandigarh etc.

Healthy scale up of operation in the past: The total income achieved by AIL in FY19 had grown by a considerable ~84% over the previous year on account of increased demand from existing clients as well as addition of new ones. The total income subsequently remained almost flat in FY20 because of a largely sluggish economic scenario and prevailing liquidity crunch which affected most end user industries. However, in H1FY21 (UA), the operating income has grown by ~52% to Rs.320.13 Cr. as compared to H1FY20 (UA). Despite a sluggish scenario in light of Covid-19, the company was able to derive healthy demand from its long standing clientele.

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

Satisfactory overall solvency position: The company raised a total capital of Rs.10.23 Cr. through its IPO issue in February-2019. The term debt of the company is limited to unsecured loans infused by promoters and related parties only. The capital structure of AIL further remained satisfactory with long-term debt to equity ratio and overall gearing ratios of 0.35x and 1.53x respectively, as on March 31, 2020. The same deteriorated from 0.39x and 1.31x respectively, as on March 31, 2019 mainly on account of higher working capital borrowings . The debt coverage indicators remained comfortable marked by interest coverage ratio of 3x in FY20 and total debt to cash flow from operations of 5.50x, as on March 31, 2020. The former deteriorated from FY19 on account of higher interest expenses. However, the latter improved from 24.77x as on March 31, 2019. The capital structure further remained satisfactory with the long term debt to equity ratio and overall gearing ratio at 0.39x and 1x respectively, as on September 30, 2020 (UA) as compared to 0.34x and 1.28x respectively, as on September 30, 2019 (UA). The interest coverage ratio stood comfortable at 3.65x in H1FY21 (UA) as compared to 11.71x in H1FY20 (UA).

Key rating weaknesses

Customer and supplier concentration risk: The company derived ~32% of its total income in FY20 from the top five customers while the top customer contributed ~10% of the total income during the year. This leads to slightly concentrated revenue stream. On the supplier side also top five suppliers formed ~74% of the procurement costs in FY20 with the top supplier constituting ~33% of the total material costs for the year. 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 1.37% and 0.81% respectively, in FY20. The PBILDT and PAT margins continued to remain low at 1.62% and 0.88% respectively, in H1FY21 (UA) as compared to 1.63% and 1.08% in H1FY20 (UA). The PAT margins have declined because of increased interest expenses.

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 coal prices can affect the profitability of AIL. Domestically, coal has remained a highly regulated commodity. Further, coal importers also face regulatory risk in the form of custom duty variations etc. Imports formed ~40% of the total purchase cost in FY20 (valuing Rs.224.8 Cr. in FY20; PY: ~30%). The current hedging levels stand at around ~50% of the exposure. However, the profitability margins of the company are exposed to a significant foreign exchange fluctuation due to absence of any complete hedging mechanism.

Liquidity: Adequate

The current ratio and quick ratio remained at a satisfactory level of 1.36x and 0.83x respectively, as on March 31, 2020 as compared to 1.46x and 1.02x respectively, as on March 31, 2019. The operating cycle of the company remains comfortable at ~12 days as on March 31, 2020 as compared to ~7 days as on March 31, 2019. As on March 31, 2020, the company had total unencumbered fixed deposits and cash and bank balances of around Rs.4.66 Cr. The unencumbered fixed deposits stood at ~Rs.5 Cr. as on September 30, 2020. The average utilization of the total working capital limits (fund based and non-fund based) remained at a comfortable level of ~53% for the twelve month period ended October-2020. The company has not availed the moratorium offered extant RBI guidelines in light of Covid-19. The company does not have any term debt repayment obligation while, in the past, the operations have also been supported by fund infusion in the form of unsecured loans.

Analytical approach: Stand-alone

Applicable Criteria

Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios-Non financial sector
Liquidity Analysis of Non-Financial Sector Entities
Rating Methodology - Wholesale trading

About the Company
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 SME platform of 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.

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3:* NA

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	549.43	554.89
PBILDT	7.44	7.58
PAT	3.61	4.52
Overall gearing (times)	1.31	1.53
Interest coverage (times)	3.74	3.00

A: Audited

Status of non-cooperation with previous CRA: CRISIL has reviewed the ratings on the best available information and classified AIL as not cooperating vide its press release dated June 19, 2020.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2
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	-	-	-	23.00	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	15.00	CARE BBB-; Stable / CARE A3

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Stable (17-Oct-19) 2)Withdrawn (17-Oct-19)	1)CARE BB+; Stable (05-Dec-18) 2)CARE BB+;	1)CARE BB; Stable (10-Oct-17)

							Stable (31-Oct-18)	
2.	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (17-Oct-19) 2)CARE A4+ (17-Oct-19)	1)CARE A4+ (05-Dec-18) 2)CARE A4+ (31-Oct-18)	1)CARE A4 (10-Oct-17)
3.	Fund-based - LT-Cash Credit	LT	23.00	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Aug-20)	-	-	-
4.	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	15.00	CARE BBB-; Stable / CARE A3	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure-4: Complexity of instruments:

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

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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