



## Press Release

**Anand Carbo Limited**

**November 02, 2020**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	18.00	IVR BBB+ / Stable Outlook (IVR Triple B Plus with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Bank Guarantee	5.00	IVR A3+ (IVR A Three Plus)	Reaffirmed
Short Term Bank Facilities – Letter of Credit	54.00	IVR A3+ (IVR A Three Plus)	Reaffirmed
<b>Total</b>	<b>77.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Anand Carbo Private Limited (ACPL) continues to derive strength from its from its experienced promoters and regular fund infusion by them and established relationship with its customers and favourable demand outlook in the near to medium term. The ratings also note improvement in financial performance in FY20 (Provisional) and its comfortable debt protection metrics. However, these rating strengths are partially offset by low profit margin owing to trading nature of its operation, exposure to foreign currency fluctuation risk and working capital intensive nature of its operation.

### Key Rating Sensitivities:

#### Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with improvement in debt protection metrics
- Improvement in the operating cycle

#### Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing.
- Stretch in working capital cycle impacting the liquidity



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced promoters

ACPL is promoted by Mr. Hanuman Mal Bhutoria along with his brother Mr. Mangi Lal Bhutoria. They look after the day to day operations of the company. The finance and accounts division is looked after by Mr. Karan Kumar Bhutoria, Chartered Accountant by qualification and son of Mr. Hanuman Mal Bhutoria. All the promoters have experience of over a decade in coal trading business.

##### Regular fund infusion by the promoters

The promoters have shown positive commitment towards the business and infused funds at regular intervals [Rs.2.59 crore in FY17, Rs.5.03 crore in FY18, Rs.6.92 crore in FY19 and Rs.2.70 crore in FY20] to support growing business operations of the company.

##### Established relationship with key customers

ACPL has an established relationship with a diversified clientele comprising players from various industries like paper, power, steel, edible oil along with various local traders. Apart from coal trading, ACPL is also engaged in providing coal handling and logistic services to Bharat Aluminium Company Limited (BALCO) from SECL coal field areas to their Korba plant. Such arrangement is long term i.e., for five years and extendable as per mutual consent.

##### Improvement in financial performance in FY20 (Provisional)

ACPL witnessed a y-o-y growth of ~4% in FY20 mainly driven by increase in sale volume. Further, with change in coal mix and cost optimization the profitability of the company has improved in FY20 marked by improvement in its absolute profit and profit margins. EBITDA and PAT margin improved from 2.69% and 1.60% respectively in FY19 to 3.27% and 2.26% in FY20 (Prov.). Further, with improvement in profitability, gross cash accruals of the company have also improved from Rs.13.53 crore in FY19 to Rs.19.65 crore in FY20 (Prov.). During H1FY21, the company has achieved a PBT of ~ Rs. 8.70 crore on turnover of ~Rs.379 crore. Infomerics expects that the financial performance of the company will continue to remain stable in the near term.

##### Comfortable capital structure and healthy debt protection metrics



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The financial risk profile of the company continued to remain strong with its comfortable overall gearing at 0.07x as on March 31,2020 (0.07x as on March 31, 2019). Further, total indebtedness of the company marked by TOL/TNW also continued to remain comfortable at 2.13x as on March 31,2020 (2.16x as on March 31,2019). The debt protection parameters of the company remained healthy with interest coverage ratio at 15.17x in FY20 and Total debt to GCA at 0.38x as on March 31,2020. Infomerics expects that the financial risk profile of the company will continue to remain comfortable in the near term.

### **Favourable demand outlook in the near to medium term**

Energy is a prerequisite in the economic development of any country. Coal is the dominant source of energy in India. Demand for coal in India has been ever increasing and always surpassed the domestic supply. However, availability of domestic coal is a concern as Coal India Limited (CIL) is not able to meet the increasing domestic demand. From the ACPL's perspective, its prospects are dependent upon its ability to increase the scale of operation while managing the volatility in prices of traded goods & timely collects its receivables.

### **Key Rating Weaknesses**

#### **Low profit margin due to trading nature of business**

ACPL operates at a low profit margin due to its trading nature of business. The company reported PBILDT margin in the range of 2%-3.5% during the last FY17-FY20. Furthermore, ACPL's profitability is susceptible to volatility in prices of traded goods as it has a policy to maintain inventory of around one-month period and the prices of which are highly volatile in nature.

#### **Exposure to foreign currency fluctuation risk**

The company mostly operates in imported coal and procure the same through direct import or from other traders of imported coal. Imports from various countries exposes the company towards volatile foreign currency movement. The company hedges around 70-75% of its foreign currency exposure through forward contracts. The amount of unhedged foreign currency exposure as on September 30, 2020 is Rs.11.21 crore (Rs.7.56 crore as on March 31, 2019).

#### **Working capital intensive nature of operations**

ACPL's operation is working capital intensive in nature as it has to offer credit period for around 40-60 days to its customer (mostly backed by LC) due to intense competition in the industry and has a policy to maintain inventory of about 25-35 days. While the company has



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to make upfront payment to Coal India Limited and its subsidiaries, it gets a credit period of around 45-60 days for coal procured from local players (like Godavari Commodities Ltd, Gupta Coal India Ltd, etc.), which reduces the working capital requirement to a certain extent. However, the average cash credit utilisation remained low at ~ 23% during the 12 months ended September, 2020 indicating a sufficient liquidity buffer.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity - Strong**

ACPL has been earning a comfortable level of GCA for the last few years which gradually increased from Rs. 10.80 crores in FY18 to Rs.13.53 crores in FY19 and Rs.19.65 crore in FY20 (Provisional). Consequently, liquidity is marked by strong accruals against nil debt repayment obligations. With overall gearing of 0.07 times as of March 31, 2020 (Prov.) ACPL has sufficient gearing head room. Further, its unutilized bank lines are more than adequate to meet its incremental working capital needs over the next one year. The company also has a sufficient cash and cash equivalent of Rs.5.14 crore as on September 30, 2020.

**About the Company**

Incorporated in 1999, Kolkata based Anand Carbo Private Limited (ACPL) was promoted by Mr. Hanuman Mal Bhutoria along with his brother Mr. Mangi Lal Bhutoria. After remaining dormant for about seven years, the company commenced operations in 2007 with trading of various grades of coal. The company mainly deals in imported coal from Indonesia and South Africa. Apart from coal trading, ACPL also provides services related to coal handling and logistics, consultancy, etc. ACPL has seven stockyards with aggregate storage area of around 14 acres spread across Raigarh, Korba, Dankuni, Kharagpur, Dhanbad, Khilari and Cuttack (all of these are in rented premises).

**Financials (Standalone):**

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	825.86	855.00
Total Income	826.39	855.00
EBITDA	22.19	27.98



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For the year ended* / As On	31-03-2019	31-03-2020
PAT	13.25	19.29
Total Debt	5.54	7.50
Tangible Net worth	78.45	100.44
EBITDA Margin (%)	2.69	3.27
PAT Margin (%)	1.60	2.26
Overall Gearing Ratio (x)	0.07	0.07

\*As per Infomerics' Standard

### Status of non-cooperation with previous CRA:

CARE Ratings has moved the rating of ACPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated August 19, 2020.

**Any other information:** Nil

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	18.00	IVR BBB+ / Stable Outlook	IVR BBB+ / Stable Outlook (August 05, 2019)	-	-
2.	Bank Guarantee	Short Term	5.00	IVR A3+	IVR A3+ (August 05, 2019)	-	-
3.	Letter of Credit	Short Term	54.00	IVR A3+	IVR A3+ (August 05, 2019)	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities



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and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	18.00	IVR BBB+ / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	5.00	IVR A3+
Short Term Bank Facilities – Letter of Credit	-	-	-	54.00	IVR A3+