

Rating Rationale

A R Industries

29 June 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 5.00 Crores of A R Industries

Particulars

Facility	Amount to be rated	Tenure	Rating Assigned
Fund Based	5.00	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook : Stable)
Total	5.00	INR Five Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, provisional FY 18, publicly available information and information/ clarifications provided by the company.

The rating has, inter alia, factored in extensive experience of the partners, efficient working capital cycle, comfortable debt protection metrics and gearing ratio, long term relations with established customers. The rating is, however, constrained by small scale of operation, inherent risk associated with constitution of firm, threat of new technology and highly competitive industry.

Key Rating Drivers

Credit Strengths

- **Strong experience of partners** - Mrs. Sudha Gupta, Mr. Tushar Gupta and Mr. Rajan Gupta are the partners of the firm. Mr Rajan Gupta and Mrs Sudha Gupta are having experience of more than 30 years of the industry as well as qualified in the same field of operations and under their supervision, firm is progressing well.
- **Comfortable Debt Protection Metrics** - Company has comfortable debt protection metrics as ISCR & DSCR stood at 8.57x and 6.44x respectively in FY 17.

Credit Weakness

- **Highly competitive industry** - Industry is highly competitive due to presence of large number of organised and established players and entry of multinational companies with strong marketing focus.
- **Threat of New Technology** - Industry is a high volume business where the margins are determined by the number of units sold. Firm needs to keep pace with new technology by constant R&D to ward off risk of obsolescence.
- **Small scale of operations** - The total operating Income of company was Rs. 31.96 Crs for FY 17 which though improved to Rs. 44.34 Crs on provisional basis, but still this scale is considered small.

- **Inherent risk associated with the constitution of firm** - Constitution of business of AR Industries is partnership concern which is associated with inherent risks such as risk of withdrawal of funds and dissolution etc.

Rating Outlook: Stable

BWR believes the A R Industries's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

A R Industries was established as a partnership concern on October 22, 2005 by Mr. Rajan Gupta and Mrs Saroj Gupta to manufacture Electrical Irons. On April 1, 2016, the firm made changes in the partnership deed and Mrs Saroj Gupta retired and Mrs. Sudha Gupta and Mr. Tushar Gupta became the new partners of firm. Firm has registered office situated at Khasra No 52/7, Plot No 6, Bawana Road, Pehlampur Bangur Delhi 11..42. The factory is located at Kh.217/2/2, Mauza Rampur Jattan, Dhakwala Moginand, Tehsil- Nahan, Dist.- Sirmour, Kala Amb (H.P.)-173030. This factory land is owned by firm with a total area of 5750 sq yard. The machines installed at factory have a total capacity to manufacture 3600000 Nos. pieces per annum and firm has utilised 83% of the total capacity in FY 18. Firm supplies electric iron to Bajaj Electricals, Syska LED Lights Pvt Ltd, Orient Electric Co. Ltd, Wipro Enterprises Ltd.

Company Financial Performance

Key Parameters		FY 16 (Audited)	FY17 (Audited)	FY18 (Provisional)
Total Operating Income	Cr	28.18	31.96	44.34
OPBDIT	Cr	1.97	2.27	3.18
PAT	Cr	1.29	1.36	1.81
Tangible Net Worth	Times	3.66	6.83	7.68
TOL/TNW	Cr	1.10	0.98	1.28
Current Ratio	Times	1.20	1.24	1.14

Status of non-cooperation with previous CRA: NA

Rating History for the last three years (including withdrawn/suspended ratings)

Facility	Tenure	Rating Assigned (2018)		Rating History		
		Previous Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based	Long Term	5.00	BWR BB (Pronounced as BWR Double B) (Outlook : Stable)	-	-	-
Total		5.00	INR Five Crores Only			



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 48,803 Cr have been rated.

DISCLAIMER

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