

A R Industries

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹.9.70 Crores of A R Industries (or ‘the firm’)

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2019)	Present
Fund based	10	9.70	Long Term	BWR BB+ (Stable)	BWR BB+ (Stable) Reaffirmed
Non-fund Based	-	(2.00)			
Total	10	9.70	INR Nine Crores And Seventy Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR has reaffirmed the ratings of **A R Industries** at BWR BB+. The reaffirmation of rating reflects the consistent growth in the firm’s sales turnover over the years, its above average financial risk profile and good profitability margins and association with some of the reputed consumer durable brands in the country.

The rating is, however, constrained by the moderate scale of operations and network position. The rating has also factored the highly competitive nature of the industry the firm operates in.

The ‘stable’ outlook indicates a low likelihood of a rating change in the medium term. BWR expects that the firm’s performance is likely to be maintained over the next few years.

KEY RATING DRIVERS

Credit Strengths:

- **Consistent growth in sales:** The firm’s net sales have grown consistently over the years with it registering over 40% growth in FY19 over PY (FY18).
- **Above average financial risk profile:** The firm’s gearing (Total debt/TNW) was low at 0.97 times and its overall gearing (TOL/TNW) was also moderate at 1.45 times as on 31 March 2019.
- **Strong debt protection metrics:** The firm’s debt protection metrics are strongly reflected in ISCR & DSCR of 8.33x & 7.62x respectively as on 31 March 2019.
- **Good profitability:** Although slightly lower than last year, the firm posted moderate

Operating profit at 7.28% and Net profit at 3.98% for FY19.

- **Association with reputed and established brands:** The firm has established long term relationships with some of the reputed and established brands like Bajaj Electricals Ltd., Syska LED Lights Pvt. Ltd., Flipkart India Pvt Ltd. and Cloudtail India Pvt Ltd.

Credit risks:

- **Intensely competitive industry:** The industry in which the firm operates in is characterized with a high level of competition and is highly fragmented with presence of a large number of small and unorganized players.
- **Moderate scale of operations:** Considering the firm has been in business for almost 15 years now, the turnover is at moderate level.
- **Moderate Networth position:** Although the firm has posted good net profit for FY19, the Networth remained almost at the same level because the profit wasn't ploughed back into the business.
- **Inherent risk associated with the constitution of the firm:** Constitution of the entity being a partnership firm, it is exposed to the risk of withdrawal of funds in case of personal exigencies of the partners.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of the firm. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Growth in the sales turnover and improvement in the Networth position of the firm.

Negative: Any substantial decline in the sales turnover and profitability margins and any withdrawal of capital by the partners and any delays in the servicing of bank loan facilities.

LIQUIDITY POSITION : Adequate

The firm's Net Cash Accruals/Long term debts (analyzed) stood at 2.08 times as on 31 March 2019 which augurs well for the firm in respect of repayment of any long term loans. The conversion cycle for FY19 was at 45 days which is moderate considering the nature of the industry the firm is operating in and the same is expected to remain around 50-60 days in the medium term. The average utilization of the Cash Credit limits was around 50% or less in the 6 months period of Apr - Dec 2019. ISCR & DSCR of the firm was at 8.33 & 7.62 as on 31 March 2019 which suggests that the firm is capable of repaying the interest and debt obligations comfortably. Firm's Net cash Accruals in FY19 improved to Rs.4.08 Crs as compared to Rs.3.51 Crores for FY18.

COMPANY PROFILE

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 the firm. Firm has a registered office situated at Khasra No 52/7, Plot No 6, Bawana Road, Pehladpur Bangur Delhi 110042. 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 a firm with a total area of 5750 sq yard. The machines installed at the 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.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Income	₹ Crores	62.44	44.34
EBITDA	₹ Crores	4.54	3.44
PAT	₹ Crores	2.49	2.18
Tangible Net worth	₹ Crores	7.94	7.90
Total Debt / Tangible Net worth	Times	0.97	0.73
Current Ratio	Times	1.30	1.20

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Instrument / Facilities	Current Rating (March 2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	15 Mar 2019	29 Jun 2018	2017
Fund Based	Long Term	9.70	BWR BB+ (Stable) Reaffirmed	BWR BB+ (Stable) Upgraded	BWR BB (Stable) Assigned	-
Non-fund Based		(2.00)				
Total		9.70	INR Nine Crores And Seventy Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria for Manufacturing Companies](#)

Analytical Contacts	Investor and Media Relations
<p>Raushan Kedia Rating Analyst Board: +91 11 2341 2232 raushan.k@brickworkratings.com</p> <p>Satvinder Kumar Gakhar Associate Director - Ratings] Board: +91 11 2341 2232 satvinder.g@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



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ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Oriental Bank of Commerce	Cash Credit	7	-	7
2		Term Loans	2.70	-	2.70
3		Bank Guarantee (Sub limit of CC)	(2)	-	(2)
TOTAL					9.70

Total Rupees Nine Crores And Seventy Lakhs only.

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