



Rating Rationale

A R Industries

15 Mar 2019

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 10.00 Crores of A R Industries.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June, 2018)	Present
Fund based	5.00	10.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Upgrade
Total	5.00	10.00	INR Ten Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, projected financials upto FY21, publicly available information, information/ clarification provided by the firm's management.

The rating has factored the consistent growth in sales of the firm over the years and the extensive experience of the promoters in this industry. The rating also factors the strong financial risk profile of the firm which is reflected in a low gearing of 0.73 times as on 31 March 2018 and high debt protection metrics. A high profitability margin has also contributed positively to the rating of the firm.

However, the rating is constrained by the moderate scale of operation of the firm and the intense level of competition in the industry.



Going forward, the firm's ability to sustain its growth in sales while maintaining the profitability margin levels and improve its short term liquidity profile to further improve its current ratio will be the key rating sensitivities

Description of Key Rating Drivers

Credit Strengths:

- **Consistent growth in sales:** The firm's net sales have grown consistently over the years, registering 38.74% growth in FY18 over PY (FY17) and forecast a growth of 37.57% in FY19 over PY (FY18).
- **Above average financial risk profile:** The firm's gearing was low at 0.73x as on 31 March 2018 and Networth stood at Rs.7.90 Crs.
- **Strong debt protection metrics:** The firm's debt protection metrics are strongly reflected in ISCR & DSCR of 8.14x & 7.24x respectively as on 31 March 2018.
- **High profitability:** The firm posted Operating profit at 7.76% and Net profit at 4.92% for FY18 and has projected similar levels of profitability 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, is characterized by high level of competition and is highly fragmented with the 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.

Analytical Approach

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

Rating Outlook: Stable

BWR believes the **A R Industries** 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 the firm. Firm has registered office situated in Delhi while the factory is located in Mauza Rampur Jattan, Dhakwala Moginand, Tehsil- Nahan, Dist.- Sirmour, (H.P.). 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's Financial Performance

The operating income of the firm has been growing consistently over the years wherein it had registered a growth of 40% in FY18 to Rs.44.34 Crs from Rs.31.96 Crs. in FY17 and the same is expected to grow by approx 37% in FY19 to Rs.61.00 Crs. The firm has already achieved revenues of Rs.53.35 Crs. till end of Jan 2019 in FY19. TNW of the firm has grown on account of infusion of capital and retention of profits. Firm's financial profile is above average in FY18 with gearing of 0.73x, DSCR of 7.24x, ISCR of 8.14x and current ratio of 1.20x and is expected to remain on the same lines in medium term.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (March,2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	29 June 2018	2017	2016
I	Fund Based	Long Term	10.00	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Upgrade	BWR BB (Pronounced as BWR Double B) Outlook: Stable	NA	NA
	Total		10.00	₹ Ten Crores Only			

Status of non-cooperation with previous CRA : NA



Any other information: Previous rating was for Rs.5.00 Crs. while present rating is conducted for Rs.5.00 Crs. sanctioned & Rs.5.00 Crs. proposed fund based facilities.

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Projected	Audited
Operating Revenue	₹ Cr	61.00	44.34
EBITDA	₹ Cr	4.60	3.44
PAT	₹ Cr	3.02	2.18
Tangible Net worth	₹ Cr	9.96	7.90
Total Debt/Tangible Net worth	Times	0.82	0.73
Current Ratio	Times	1.11	1.20

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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For print and digital media

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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.

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