

A.R. THERMOSETS PVT. LTD

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 20.10 Crores of A.R. Thermosets Pvt. Ltd. ('ARTPL' or the company)

Particulars

Facilities**	Present Amount Rated (₹ Crs)	Tenure	Rating*
(Fund Based) Cash Credit	15.50	Long Term	BWR BBB- <u>Stable</u> Assigned
Term Loan	0.60		
(Non-Fund Based) ILC/BG/FLC	10.00	Short Term	BWR A3 Assigned
Total	20.10#	INR Twenty Crores and Ten Lakhs Only	

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

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

The overall capping of CC/BG/ILC/FLC is INR 19.50 crores only and INR 0.60 crores is the term loan o/s out of the sanction of INR 3.68 crores.

RATING ACTION/OUTLOOK

BWR has assigned the ratings of BWR BBB- (Stable)/A3 on the bank loan facilities of INR 20.10 crores availed by A.R. Thermosets Pvt Ltd (ARTPL). The rating draws strength from rich experience of the promoters , established track record of operations, group support, and moderate financial risk profile. However, the ratings are constrained by working capital intensive nature of operations, and intense competition.

BWR believes that the business risk profile of the company will be maintained over the medium term. The 'stable' outlook indicates a low likelihood of the rating change over the medium term. The rating outlook may be advised to ""Positive"" in case there is significant improvement in revenue, profit margin going forward. The rating outlook may be revised to ""Negative"" if there is deterioration in financial risk profile including liquidity or any unforeseen circumstances.



KEY RATING DRIVERS

Credit Strengths

- **Established track record of operations and rich experience of the promoters:** The company has been into the business of manufacturing of road construction materials viz. bitumen, metal crash barriers and road marking paints for approximately two and a half decades i.e. since 1997 which has helped the company to establish a healthy relationship with government as well as private customers. Further, the promoters of the company, Mr. Manoj Gupta and Mr. Saurabh Gupta carry rich experience of over three and two decades respectively in the line of business through which the company has gained strength to expand its footprint in the road sector.
- **Group Support:** ART is having strong group support from its group company MKU Ltd which is into the business of manufacturing bullet proof jackets and armour solutions. MKU Ltd's management is the same as ARTPL so the ARTPL gets fund support as well apart from bridging linkages through which ARTPL enhances its customer base.
- **Moderate business risk and financial risk profile:** The company booked total operating revenue of INR 110.92 crores in FY 2020 (provisional) as compared with INR 91.56 crores in FY 2019. The profitability margins maintained by the OPM and NPM which stood at 9.60% and 3.43% respectively in FY 2020 (provisional) as compared with 10.74% and 3.61% respectively in FY 2019. Furthermore, the gearing levels marked by Total Debt/TNW and TOL/TNW of 1.06x and 0.82x respectively in FY 2020 (provisional) were at a moderate level as compared with 1.20x and 1.50x respectively in FY 2019. Also, the debt protection metrics marked by DSCR and ISCR of 1.80x and 3.97x respectively in FY 2020 (provisional) were above-average.

Credit Challenges

- **Working capital intensive nature of operations:** The nature of operations of the company is highly working capital intensive which is evident from the elongated conversion cycle of 124 days in FY 2019 as against 105 days in FY 2018. As the clientele of the company mostly consists of government clients so there is a delay in the payments to get released resulting in an increase in receivable days.
- **Intense competition:** The company faces stiff competition from numerous regional small scale players. The level of government regulation in the infrastructure sector also affects the business operations of the company.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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



RATING SENSITIVITIES

Going forward, the ability of the company to achieve the targeted revenue, maintain good profitability margins, maintain a comfortable financial risk profile, and efficiently manage the working capital requirements will be key rating sensitivities.

Positive: Substantial increase in scale of operations, increase in profitability margins, further improvement in financial risk profile, and abridging the working capital gaps.

Negative: Any decline in revenue, deterioration of profitability margins and financial risk profile including liquidity.

LIQUIDITY POSITION: Adequate

The company has cash and cash equivalents of INR 0.53 crores as on 31 Mar 2020. Fund based working capital facility of INR 15.50 crores was utilized to the extent of 95% in the last six months. Long term borrowings of INR 15.33 crores in FY 2020 (provisional) include outstanding term loan of INR 7.54 crores from Punjab National Bank (INR 1.86 crores), SIDBI (INR 3.00 crores), ICICI Bank (INR 1.00 crores), HDFC Bank (INR 0.90 crores), and Kotak Mahindra Bank (0.74 crores) for the purpose of acquiring plant & machinery. There are interest-bearing unsecured loans of INR 7.79 crores from the group company i.e. MKU Ltd. The company has not submitted the cash flow statement. The ISCR and DSCR remained at 1.80x and 3.97x respectively in FY 2020 (provisional). The current ratio and the quick ratio stood at 2.81x and 1.52x respectively in FY 2020 (provisional). Conversion cycle was at 89 days in FY 2020 (provisional).

Group/Associate: The company has two group companies i.e. MKU Ltd, E.I.S Electronics Pvt Ltd. but there is no operational linkage between these companies.

COMPANY'S PROFILE

Incorporated in 1991, A.R. Thermosets is a closely held Kanpur-based private limited company of GKG group A.R. Therms engaged in manufacturing and supply of bitumen emulsion, modified bitumen, metal beam crash barriers, road marking paints, and patch binders for road construction. It also undertakes road contracts. The company has three operational manufacturing facilities, two are in Mathura and Fatehpur districts of Uttar Pradesh and one in Raigad, Maharashtra which are engaged in processing of bitumen emulsions and crash barriers. The company is promoted by Mr. Manoj Gupta and Mr. Saurabh Gupta and it has two other group companies namely MKU Ltd. and E.I.S Electronics (India) Pvt. Ltd which are into the business of defence equipment manufacturing and cable harness wires manufacturing respectively.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2020	FY 19
Result Type		Provisional*	Audited
Total Operating Revenue	₹ Crores	110.92	91.56
EBITDA	₹ Crores	10.65	9.83
PAT	₹ Crores	3.81	3.30
Tangible Net Worth (TNW)	₹ Crores	24.66	20.85
TOL/TNW	Times	0.82	1.50
Current Ratio	Times	2.81	1.45

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY [INCLUDING WITHDRAWAL AND SUSPENDED]

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
(Fund Based) Cash Credit Term Loan	Long Term	15.50 0.60	BWR BBB- <u>Stable</u> Assigned	-	-	-
(Non-Fund Based) BG/ILC/FLC	Short Term	10.00	BWR A3 Assigned	-	-	
Total		20.10#	INR Twenty Crores and Ten Lakhs Only			

The overall capping of CC/BG/ILC/FLC is INR 19.50 crores only and INR 0.60 crores is the term loan o/s out of the sanction of INR 3.68 crores.

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](#)
- [Manufacturing Companies](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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A.R. Thermosets Pvt Ltd

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.	Punjab National Bank	Cash Credit	15.50	-	15.50
2.		Term Loan (O/s)	0.60	-	0.60
3.		BG/ILC/FLC	-	10.00	10.00
TOTAL					20.10*

Total Rupees Twenty Crores and Ten Lakhs Only.

***The overall capping of CC/BG/ILC/FLC is INR 19.50 crores only and INR 0.60 crores is the term loan o/s out of the sanction of INR 3.68 crores.**



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