Rating Rationale **Airen Metals Private Limited** **27 Mar 2020**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities amounting to ₹ 303.40 Cr of Airen Metals Private Limited ('AMPL' or 'The Company)

Facility**	Present Amount Rated (₹ Crs)	Tenure	Present Ratings
Fund Based	28.90	Long Term	**BWR BBB-** Stable
Non-fund Based	274.50	Short Term	**BWR A3**
Total	**303.40**	**INR Three Hundred Three Crores & Forty Lakhs Only**	

** Details of facilities given in Annexure I.
Please refer to ***www.brickworkratings.com*** for definition of the Ratings

Rating Action/Outlook:

BWR has assigned a long term rating of BWR BBB- (Stable) and Short term rating of A3.

The rating factors in the experience of the promoters along with the company's established market position for more than 2 decades, diversified product portfolio, established relationship with customers & suppliers, moderate capital structure & debt coverage indicators during FY19 and 11MFY20.
However, the rating is constrained by thin profitability due to limited value addition, declining financial performance in FY20, volatile raw material prices along with its presence in a competitive industry and high working capital intensity of operations.

The outlook is stable as the company has been able to sustain the revenues from business operations in 11MFY20.

Going forward, the company's ability to improve its scale of operations and profitability alongwith credit metrics & liquidity position will be the key rating sensitivities

BWR has principally relied upon the audited financial results of AMPL upto 31st March 2019, 11MFY20 provisionals and projected financials for FY20 and FY21 & publicly available information & information/ clarifications provided by the company's management.

Key Rating Strengths

- **Extensive experience of management & group track record** - AMPL commenced commercial operations in 1998 and has a successful track record of more than two decades in copper related product business. The company was established and is managed by the Agarwal family, holding 55.16% equity stake in AMPL as of February 29 , 2019. Further they are assisted by a team of experienced professionals.
- **Diversified Product Portfolio–** The company manufactures & sells Copper strips & wires DPC (Double paper Covered), over-head contact wires (Trolley wires)/conductors, Copper bus bars, copper sheets, copper tubes and copper foils. The product portfolio finds application in electrical panels, industrial furnaces, automobile industries, power cable manufacturing, transformer manufacturing, railways & other engineering units.
- **Moderate capital structure and debt coverage indicators:** AMPL capital structure continued to remain moderate with gearing (analysed) of 0.43 times in FY19 from 0.60 times in FY18. ISCR has declined to 1.97 times in FY19 from 2.15 times in FY18. DSCR stooda at 1.47 times in FY19.

Credit weaknesses

- **Decline in operating margins, thin net profit margin & declining TOI:** Operating profit margins declined to 3.17% in FY19 from 3.36% in FY18 on account of high cost of raw material in ability to fully pass on increase in raw material prices to its other customers. PAT margins remained constant at 0.76% in FY19. In FY20 the Total operating income is expected to decline by ~18% as the company has achieved only INR 350.52 Crs in 11MFY20.

- **Working Capital Intensive nature of operations**: The operations of AMPL remained working capital intensive supported largely by the bank borrowings. The average utilisation of fund based working capital limits of the company stood high around 87% during the last 12 months. Furthermore, the current ratio stood at unity level in FY19 was too low to be around 1.06 times.

- **Volatile raw material prices:** The main raw materials of AMPL are copper and aluminium; prices of which generally exhibit high volatility. The prices of these metals are directly linked to London Metal Exchange (LME) prices. However, in order to mitigate the risk of price volatility, AMPL follows the policy of back-to-back raw material procurement for the majority of its raw material requirement and it is also linked to the delivery schedule of order.

- **Intense competition in the industry:** The copper industry is highly fragmented with the presence of both organized and unorganized players in the downstream segment providing similar products/services. Hence, the bargaining power of AMPL remains low due to the competitive nature of the industry. The pricing flexibility also gets affected on account of tender driven nature of business with respect to contracts of Indian Railways.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below.

RATING SENSITIVITIES

Positive: BWR may revise the ratings outlook to positive, in case of improved operating income & profitability margins, reduction in debt levels and strengthening the financial risk profile of the company

Negative: BWR may revise the rating outlook to Negative, in case reduction in operating income & profitability margins, increase in debt levels thereby impacting the credit profile of the company.

Liquidity Position (Adequate)

The company has an adequate liquidity position. There are long term borrowings from banks & Unsecured interest free loans from directors amounting to INR 12.02 Crs as on 31st March 2019. Against a CPLTD of INR 2.83 Crs in FY19, the company had a cash accruals of INR 8.12 Crs in FY19 and with a CPLTD of INR 1.88 Crs in FY20, the company projected to generate cash accruals of INR 8.10 Crs in FY20, thereby indicating a comfortable liquidity position for repayment of debt obligations. Utilization of working capital limits is around 87%.

About AMPL:

AMPL was incorporated in 1995 by Mr Sudhir Agarwal at Jaipur, Rajasthan. It commenced commercial operations in 1998. It is engaged in the business of manufacturing Copper strips & wires DPC (Double paper Covered), over-head contact wires (Trolley wires)/conductors, Copper bus bars, copper sheets, copper tubes and copper foils from non-ferrous metals mainly copper and aluminium. It has manufacturing facilities situated at Jaipur and Reengus, Rajasthan with an installed manufacturing capacity of 11,300 MTPA.It is ISO 9001 certified company and have well supported rapid working systems for all of their Quality controls.

Key Financial Indicators (Standalone)

Key Financials			
	Units	31/Mar/2018	31/Mar/2019
Result Type		Audited	Audited
Total Operating Income	Crs	405.04	516.48
OPBDIT	Crs	13.60	16.36
PAT	Crs	3.03	3.90
Tangible Net Worth (Analysed)	Crs	58.33	66.83
Debt/TNW (Analysed)	Times	0.60	0.43
Current Ratio	Times	1.04	1.06

Key Covenants of the Instrument/Facility Rated: Not Applicable

Status of non-cooperation with previous CRA (if applicable): Reason and comments: NA

Any other information: NA

Rating History for the last three years:

S.No	Name of Instrument	Current Rating (2020)				Rating History		
		Type	Tenure	Amount (In Crs)	Rating	2019	2018	2017
1	Bank Loan	Fund Based	Long Term	28.90	BWR BBB- Stable	NA	NA	NA
		Non Fund Based	Short Term	274.50	BWR A3	NA	NA	NA
Total				303.40	INR Three Hundred Three Crores & Forty 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 - Manufacturing Sector**

Analytical Contacts	**Investor and Media Relations**

Shivam Bhasin Senior Rating Analyst Board: +911123412232 shivam.b@brickworkratings.com **R K Sharma** Sr. Director – Ratings Board: +911123412232 rksharma@brickworkratings.com	Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com

Airen Metals 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	Union Bank of India	Cash Credit	19.25	-	19.25
		Proposed Cash Credit	5.00	-	5.00
		Term Loan	4.65	-	4.65
		Import/Inland LC	-	130.00	130.00
		Proposed LC	-	62.50	62.50
		Bank Guarantee	-	68.00	68.00
		Proposed BG	-	14.00	14.00
TOTAL					**303.40**

Total: INR Three Hundred Three Crores & Forty Lakhs Only

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