

AIREN METALS PRIVATE LIMITED

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

Facility**	Previous Amount Rated (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	BWR Rating History (Mar 2020)	Present Ratings
Fund Based	28.90	28.90	Long Term	BWR BBB-Stable	BWR D Downgrade
Non-fund Based	274.50	274.50	Short Term	BWR A3	
Total	303.40	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 downgraded the Long term rating and Short term rating to BWR D.

The revision in the rating on account of the invocation of BG as well as LC devolvement amounting to INR ~100 Crs in July 2020 and ongoing delays in settlement of that amount due to which the account is still not regularized as on date.

The rating continues to be 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 rating, however, continues to derive comfort from 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 and moderate capital structure during FY19.

Going forward, the company’s ability to timely service its debt obligations, 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:** AMPL capital structure continued to remain moderate with gearing (analysed) of 0.43 times in FY19 from 0.60 times in FY18.

Credit weaknesses

- **Delays in Debt servicing:** As confirmed by the banker, BGs/LCs have been invoked/devolved amounting to INR 100 Crs in the month of July 2020 and the same has not been regularised yet.
- **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, in case of improved scale of operations along with better profitability resulting in improvement in overall liquidity position & timely servicing of debt obligations.

Liquidity Position (Low)

The company has a weak liquidity position as reflected in the delays in servicing of BG & LC invoked/devolved amounting to INR 100 Crs but still not regularised. 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.

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): CARE C (Stable)/A4 Issuer Not Cooperating as on 05th August 2020.

Any other information: NA

Rating History for the last three years (including withdrawn/suspended)

S.No	Name of Instrument	Current Rating (2020)				Rating History					
		Type	Tenure	Amount (In Crs)	Rating	27 Mar 2020			2019	2018	2017
1	Bank Loan	Fund Based	Long Term	28.90	BWR D Downgrade	Fund Based	28.90	BWR BBB-Stable	NA	NA	NA
		Non Fund Based	Short Term	274.50	BWR D Downgrade	Non Fund Based	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**
- **Rating Criteria - Default Recognition Default Curing Period**

<u>Analytical Contacts</u>	<u>Investor and Media Relations</u>
<p>Shivam Bhasin Senior Rating Analyst Board: +911123412232 shivam.b@brickworkratings.com</p> <p>R K Sharma Sr. Director – Ratings Board: +911123412232 rksharma@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President-Corporate Communications <u>M : +91 7738875550</u> <u>B : +91 22 6745 6666</u> liena.t@brickworkratings.com</p>

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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