

Rating Rationale

Brickwork Ratings assigns ‘BWR BB+’ & ‘BWR A4+ with a Stable outlook for Bank Credit Facilities amounting to ₹ 29 Crs of Amar Iron Udyog Pvt. Ltd

Brickwork Ratings has assigned the following **Ratings¹** to Bank Loan facilities amounting to ₹ 29 Crores of *Amar Iron Udyog Pvt. Ltd. (AIUPL or the ‘Company’)*

Facility	Limits (₹ Cr)	Tenure	Ratings
Fund Based: Cash Credit	15.00	Long Term	BWR BB+ <i>(Pronounced BWR Double B Plus)</i> (Outlook : Stable)
Non Fund Based: Letter of Credit	14.00	Short Term	BWR A4+ <i>(Pronounced BWR A Four Plus)</i>
Total	29.00	INR Twenty Nine Crores Only	

BWR has relied upon the audited results of the Company for three years up to FY14 and projected financials up to FY17, information/clarification provided by the Company and available from public sources.

The ratings assigned to the bank facilities of *Amar Iron Udyog Private Ltd* factors primarily the consistent growth registered in turnover and experience of the promoters in the line of business, established relationship with its suppliers and customers and low gearing level. However, the rating is constrained by low profitability margins inherent to trading and ship breaking industry relatively small net worth and high level of competition from other players.

Background

Kolkata based *Amar Iron Udyog Pvt. Limited (AIUPL)* was incorporated in 1994 by its main promoter, Mr. Sachin Jain. The company is engaged in business of trading of Iron & Steel items in huge/ bulk quantity from prime producers such as Jindal Steel & Power Ltd, Bharat Industrial Corporation, Shree N V Ispat and local market.

The company has a track record of around 15 years in the ship breaking industry. Company generates the major portion of its turnover from trading.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile

AIUPL is a closely held Pvt. Ltd Company. The promoters have experience of almost two decades in the same industry. Apart from Mr. Jain, his family members Mrs. Lavina Jain, Mr. Azad Kumar Jain & Mrs. Shobha Jain are also directors on the Board of the company

Financial Performance

For FY14, the Company has reported turnover to the tune of ₹ 107.81 Crores as against ₹ 75.11 Crs in FY13 registering a 44% growth; however; profit margin for FY14 was at around ₹ 0.29 Crs. The debt equity ratio continued to be satisfactory at 1.36 times in FY14. The promoters have brought in ₹ 4.75 Crs by way of unsecured loans during FY15. Receivables are comfortable at 46 days.

The liquidity profile of AIUPL was comfortable as on FY14 marked by moderate current ratio and the working capital. As on January 31st 2015, AIUPL has achieved turnover of ₹ 95 Crs.

Rating Outlook

The prospects of AIUPL would depend upon its ability to cope with the changing market scenario. The ability of AIUPL to profitably scale up its operations in the light of intense competition, achieve the projected turnover, further improve margins and efficiently manage its working capital will be the key rating sensitivities.

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