

Rating Rationale

Brickwork Ratings has assigned 'BWR BBB-' & 'BWR A3' rating for Bank Loan Facilities aggregating ₹ 37.50 Cr of Arfin India Ltd.

Brickwork Ratings has assigned the following **Ratings**¹ for Bank Credit facility availed on a multiple banking arrangement with Axis Bank and IDBI Bank, amounting to Rs.37.50 Cr by Arfin India Ltd. (*AIL or the 'Company'*):-

Facility	Axis Bank (₹ Cr)	IDBI Bank (₹ Cr)	Total (₹ Cr)	Tenure	Rating
Fund Based	19.50	18.00	37.50	Long Term	BWR BBB- (Pronounced as BWR Triple B minus) (Outlook: Stable)
Cash Credit					
EPC/PCFC/FBP/ FBD					
Buyer's Credit					
LER	(0.78)	(2.00)	(2.78)		
Non Fund Based				Short Term	BWR A3 (Pronounced BWR A Three)
Bank Guarantee	(2.00)	0	(2.00)		
Total	19.50	18.00	37.50	INR Thirty Seven Crores & Fifty Lakhs only	

BWR has principally relied upon the audited financial results of FY12 – FY15, and projected financial results of FY16 and publicly available information and information/clarification provided by the company's management.

The rating has factored, *inter alia*, extensive experienced management of over a decade in aluminum and alloys industry; reputed and established customer base; moderate financial risk profile as indicated by low gearing vis-a-vis its tangible net worth after considering no external term loans from banks, comfortable coverage position of the debts to be served and incremental revenue Y-O-Y with a proportionate increase in the profitability. BWR also factored the ability of the promoters to infuse fund as and when required.

The Rating is however, constrained by, the susceptibility to fluctuations in the profitability due to volatility in the raw material prices as aluminum is a highly commoditized product; low but increasing profit margins; intense competition from the renowned and bigger players in the market.

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

Background:

Arfin Group was established in 1992 by Mr. Mahendra Shah at Ahmedabad, Gujarat as a dormant NBFC. However it had forayed into aluminum industry in 2012 by surrendering the NBFC license to RBI in 1996 and has registered office at Ahmedabad and the factory is located at Gandhinagar district of Gujarat.

The company has two directors namely, Mr. Mahendra Shah and Mr. Jatin Shah and the company is listed on Bombay Stock Exchange (BSE).

The company deals in aluminum recycling and Ferro alloys segment and are primarily engaged into manufacturing of aluminum products and aluminum cored wires. In 2013-14, it has also expanded its reach to the automobile industry by extending its manufacturing strength to produce high-quality Aluminum Auto products.

The manufactured products ranges from aluminum deox products such as ingots, cubes, shots, etc. It also produces aluminum alloy ingots and drawn wire, wire rods, cored wire, and aluminum auto components with a total installed production capacity of 41400 MTPA.

AIL caters to the steel industry both domestically as well as international with reputed customer base such as Essar Steel India Limited, TATA Steel Ltd., JSW Steel ltd., Saudi Basic Industries Corporation, etc.

The company has its two associate concerns namely, *Mahendra Aluminium Company Ltd.* and *Krish Ferro Industries Pvt. Ltd.* which are in the same line of business since a decade.

Ownership & Management Profile:

AIL is listed with BSE, with the Promoter Group led by Mr. Mahendra Shah holding 72.27% shareholding; the balance 27.73% is public shareholding.

The Board of Directors consists of two directors namely, Mr. Mahendra R shah and Mr. Jatin M. Shah.

Mr. Mahendra R shah is the Chairman of the company, and is the promoter of the Arfin Group since 1992.

Mr. Jatin M. Shah is the Managing Director, having 12 years of experience in the aluminum industry and associated with Arfin Group.

Financial Performance:

The company has achieved Rs.291.23 Cr of net revenue in FY 15 with a net profit of Rs.4.67 Cr, against Rs.222.75 Cr of net revenue and net income of Rs.2.65 Cr in FY14, on account of increase in the capacity utilization of production and the export business. The tangible net worth of the firm stood at Rs.17.71 Cr as on 31st March 2014, however considering the USL, the net worth increases to Rs.20.18 Cr.

The gearing ratio, defined as Total Debt: Tangible Net worth is 1.91 times, and considered as moderate due to the absence of external long term loans. It has a comfortable level of coverage in FY15. The liquidity has marginally decreased in FY 15; however the management has confirmed of the infusion of funds through Inter Corporate Deposits (ICD) amounting to Rs.1.70 Cr in June 2015 and has also informed of infusing further capital to the extent of Rs.7 Cr in FY 16 by way of ICD or via preferential rights issue.

The company has reported of achieving net revenue of Rs.63.49 Cr in till Q1FY15 with a net profit of Rs.1.51 Cr.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, sustainability in the revenue from operations with a proportionate increase in the profitability, and improvement in the liquidity ratio by infusion of funds (as informed by the management), would be the key rating sensitivities.

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