



## Rating Rationale

Arjun Alloys

13 Mar2018

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 16.92 Crores of Arjun Alloys.**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep 2016)	Present
<b>Fund Based</b>	<b>16.50</b>	<b>16.00</b>			
Cash Credit	15.00	15.00	Long Term	<b>BWR BB</b> (Pronounced as BWR Double B ) <b>Outlook- Stable</b>	<b>BWR BB</b> (Pronounced as BWR Double B) <b>Outlook- Stable Reaffirmed</b>
Ad-hoc CC	-	1.00			
Proposed Term Loans	1.50	-			
<b>Non Fund Base</b>	<b>0.92</b>	<b>0.92</b>			
Bank Guarantee	0.92	0.92	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>BWR A4</b> (Pronounced as BWR A Four) <b>Reaffirmed</b>
<b>Total</b>	<b>17.42</b>	<b>16.92</b>	<b>INR Sixteen Crores Ninety Two Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Ratings: Reaffirmed

#### Rationale

BWR has relied upon Arjun Alloys (Firm or AA) audited financial results up to FY17, projected financials up to FY18 and the information/clarifications provided by the firm.

The ratings take into account the experience of the promoters in steel industry, established relationship with diversified customer base, operational & financial synergies within the group and moderate financial profile of the firm.



The rating is, however, constrained by the modest scale of operation, working capital intensive nature of business, inherent risk of sluggish steel industry and intense competition from other players in the industry and low profit margins owing to the industry it operates in.

## **Key Rating Drivers**

### **1. *Experienced management:***

The partners of the firm are Mr. Vivek Agarwal and Ms. Arpita Agarwal with over 15 years of experience in the steel business.

### **2. *Exposure to inherent cyclical nature in the steel industry:***

The firm is exposed to fluctuations in the prices of raw materials. As a result, the profitability margins are susceptible to input price fluctuation.

### **3. *Partnership constitution:***

The partnership constitution of the firm makes it vulnerable to the risk of capital withdrawal.

### **4. *Highly fragmented and competitive industry:***

Besides, fluctuations in the prices of major raw material, the firm are also exposed to intense competition in the steel industry from organised as well as unorganised players.

### **5. *Low profit margin:***

The firm's operating margin has been in the range of 2.06 to 4.11 per cent over the past three years through FY17. The profit margins have been low owing to the industry it operates in.

## **Analytical Approach**

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

## **Rating Outlook: *Stable***

BWR believes the **Arjun Alloys** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## **About the firm**



Arjun Alloys, a partnership firm was established in May 2007. The partners of the firm are Mr. Vivek Agarwal and Ms. Arpita Agarwal. The firm has established steel melting facility at Sarkhej, Ahmedabad. The firm is engaged in manufacturing of SS and Alloy Ingots. The installed capacity of the plant is 12,000 MTPA. The firm manufactures ingots from scrap which is sourced through traders. The firm deals directly with a few customer and has tie ups with well established traders in the market. The firm is supplying ingots for further rolling to its group companies and other customers as well.

### Financial Performance

As per FY17 audited financials, the firm reported net profit of Rs. 0.12 Crs on revenue of Rs.66.81 crs as compared to net profit of Rs.0.14 crs on revenue of Rs. 98.41 Crore in FY16.

The firm has reported revenue of around Rs. 60 Crs till Jan 2018.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Sep 2016	May 2016	2015
	<b>Fund Based</b>	Long Term	16.00	<b>BWR BB</b> Outlook: Stable Reaffirmed	<b>BWR BB</b> Outlook: Stable	<b>BWR BB-</b> Outlook : Stable	NA
	<b>Non Fund Based</b>	Short Term	0.92	<b>BWR A4</b> Reaffirmed	<b>BWR A4</b>	<b>BWR A4</b>	NA
	<b>Total</b>		<b>16.92</b>	<b>INR Sixteen Crores Ninety Two Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)-NA

Any other information- NA



### Key Financial Indicators

Key Parameters	Units	2017A	2016A
Result Type			
Operating Revenue	Rs. Crores	66.81	98.41
EBITDA	Rs. Crores	1.88	2.03
PAT	Rs. Crores	0.12	0.14
Tangible Net worth	Rs. Crores	7.23	7.43
Total Debt	Rs. Crores	25.31	24.14
Total Debt/Tangible Net worth	Times	3.50	3.25

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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For print and digital media



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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

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