

## Rating Rationale

**Brickwork Ratings assigns ‘BWR BB-’ rating for long-term and ‘BWR A4’ for short-term bank loan facilities of Arjun Alloys.**

Brickwork Ratings assigns BWR BB- **Ratings**<sup>1</sup> for long-term and BWR A4 for short-term bank loan facilities of Arjun Alloys (“AA” or “the Company”).

Facilities	Limits (₹ Crore)	Tenure	Rating
<b>Fund Based:</b> Cash Credit Proposed Cash Credit Proposed Term Loan	<b>15.00</b> <b>1.50</b> <b>3.00</b>	<b>Long Term</b>	<b>BWR BB-</b> [Pronounced BWR Double B Minus] <b>(Outlook – Stable)</b>
<b>Non Fund Based</b> Letter of Credit Proposed Bank Guarantee	<b>0.92</b> <b>0.48</b>	<b>Short Term</b>	<b>BWR A4</b> [Pronounced BWR A Four]
<b>Total</b>	<b>20.90</b>	<b>(INR Twenty Crore and Ninety Lacs Only)</b>	

BWR has relied upon AA’s audited financial results up to FY15, provisional figures up to Q3FY16, projected financials up to FY 18 and the information/clarifications provided by the Company.

The assigned rating reflects the performance of the firm in FY 15 vis-à-vis FY 14. The rating derives comfort from the long track record of promoter, established relation with diversified client base, its long presence in steel industry. However the rating remains constrained by AA’s modest scale of operation, working capital intensive nature of business, average customer concentration risk and fragmented nature of industry.

### Company Background and Management Profile

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

### Financial Performance

As per audited financials for FY15 provided by the company, AA’s operating income stood at ₹76.19 Cr. with a PAT of ₹ 0.25 Cr. as against operating income of ₹ 73.07 Cr. with a PAT of ₹ 0.17 Cr. in FY 14. As per provisional figures for Q3FY16 (i.e. till December, 2015), the Company has earned an operating income of ₹87.02 Cr with net profit of ₹0.62 Cr.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The Company's capital structure marked by debt equity ratio as on 31<sup>st</sup> March, 2015 is at 3.10 times. The Company's ISCR stands at 0.98 times for FY15.

### Outlook

The outlook is Stable. The Company's ability to maintain turnover and margins despite of intense competition, achieving estimated revenues, managing working capital cycle will be key rating sensitivity factors.

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