



Rating Rationale

Arun Steel Agencies

25th January 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Arun Steel Agencies

Particulars

| Facility Rated | Amount (Rs. Crs) | Tenure | Rating * |
|-------------------|--|------------------|--|
| Fund Based | 9.50 | Long Term | BWR BB- Pronounced BWR DOUBLE B MINUS Outlook: Stable |
| OCC | 10.00 | | |
| Over Draft | | | |
| Total | Rs. 19.50 Crores (Rupees Nineteen Crores and fifty lakhs Only.) | | |

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The key rating factors are, modest scale of operations, inherent to its trading nature of business, dependence on a sole supplier for its dealership business and cyclical nature of the steel industry and constitution as a proprietorship concern with inherent risk.

Rating Outlook: Stable

BWR believes the **Arun Steel Agencies's** 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 Company

Arun Steel Agencies (ASA) was established in the year 1994 as a proprietorship concern by Mr. V C Arunai Vadivelan, who has two decades of experience in trading of steel wire rod coils. ASA is engaged in trading of steel wire rod coils. The concern is dealing with JSW Steel Limited (JSW) since 2004, and has been appointed as an exclusive dealer (JSW Shoppe) for Wire Rod Coils throughout Tamil Nadu state from 2008.

Company Financial Performance

Net Sales has decreased from ₹130.36Cr in FY15 to ₹110.02Cr in FY16. PAT of the concern in FY16 increased to ₹2.01 Cr from ₹1.83Cr in FY15. The current ratio stands on 1.23times. Operating profit margin stands on 3.43%. Tangible Networth of the concern has increased slightly in the FY16 to 3.96Cr from 3.86Cr in FY15.

Rating History for the last three years: (including withdrawn/suspended ratings)

| Sl. No. | Instrument/Facility | Current Rating (2017) | | | Rating History | | |
|---------|---------------------|-----------------------------|-----------------|------------|----------------|------|------|
| | | Type (Long Term/Short Term) | Amount (Rs Crs) | Rating | 2016 | 2015 | 2014 |
| 1. | OCC | Long Term | 9.50 | BWR BB- | NA | NA | NA |
| 2. | Over Draft | | 10.00 | | | | |

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [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 Investors queries can be sent to 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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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