



## Rating Rationale

Arun Vyapar Udyog Pvt Ltd

September 6, 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.28 Cr of Arun Vyapar Udyog Pvt Ltd (or the Company)

### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Cash Credit	8.00	13.00	Long Term	<b>BWR BB</b> (pronounced BWR double B) <b>Outlook: Stable</b>	<b>BWR BB</b> (pronounced BWR double B) <b>Outlook: Stable</b> <b>Reaffirmation</b>
LC# (Inland/Import)	10.00	15.00	Short Term	<b>BWR A4</b> (pronounced BWR A Four)	<b>BWR A4</b> (pronounced BWR A Four) <b>Reaffirmation</b>
<b>Total</b>	<b>18.00</b>	<b>Rs.28.00 (Rupees Twenty Eight Crores Only)</b>			

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

#FBG/LOU for Buyers Credit of Rs.15.00 Crs is a Sub limit of LC-(Inland/Import)

### Rating Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The reaffirmation of the ratings continue to draw comfort from the promoters' experience in steel sector, Local brand name, distribution network and good customer and supplier base. However the assigned rating is primarily constrained by inconsistent revenue growth y-o-y, decrease revenue, gearing on a higher side, reducing coverage ratios, reduced net profit margin increased conversion cycle, to sustain the competitive industry, working capital intensive nature of the business, Susceptible to cyclical nature of steel industry and raw material price.

Going forward, ability the Company to improve its scale of operations and profitability, strengthen its overall financial performance and manage working capital requirements efficiently, would be the key rating sensitivities.



**Key Risk Drivers:** Revenues showing declining trend from Rs 232.88.Crs to Rs 178.54 Crs from FY 15 to FY 16. Gearing has moved from 1.53 to 1.99 between FY & FY 16 Reduced margins from 0.90% to 0.42% in Net profit.

### **Rating Outlook: Stable**

BWR believes the Company'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 Vyapar Udyog Pvt Ltd is incorporated in 1990 by Mr. Deepak Madan and Umesh Madan located at Gummidipoondi, Tamilnadu. The Company is engaged in manufacturing and Trading of TMT bars under the Brand name of Arun TMT. The Company is manufacturing of TMT Bars in different ranges from 8mm to 32mm dia TMT Bars. The Company has installed Rolling mill capacity is 80000 MT Per Annum and it is using QST technology to produce TMT Bars. AVUPL has associative concerns namely Arun Smelters Pvt ltd (Manufacturing of M S Billets), Esteem Alloy Castings Pvt Ltd (Trading in Iron & Steel) and Sri Annapurna Rerolling (Manufacturing of 6mm dia TMT Bars). Mr.Umesh Madan, Mr.Deepak Madan, Mr. Subhash Chandra Goel Ramgopal Goel, Mr.Ramachandran Manokaran and Mr.Dhaneshwar Singh are the Directors of the Company etc.

### **Financial Performance**

As per audited financial of FY16, The Company has reported EBITDA of Rs.5.52 crore and PAT of Rs.0.74 crore on total operating income of Rs.178.54 crore as against EBITDA of Rs.5.58 crore and PAT of Rs.2.09 crore on total operating income of Rs.232.88 crore in FY15. As on 31/03/2016 the Company TNW stood at Rs.17.92 Crs Coupled with Debt/Equity ratio of 1.99 times and net profit and operating profit margins recorded as 0.42% and 3.10% respectively for FY16.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs Crs)	Rating	29-12-2016	26-08-2015	2014
1.	Cash Credit	Long Term	13.00	BWR BB	Rating Not reviewed	BWR BB	NIL
2.	LC	Short Term	15.00	BWR A4		BWR A4	
<b>Total</b>		<b>Rs.28.00 (Rupees Twenty Eight Crores Only)</b>					

**Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA**

**Any other information: NA**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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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 ₹ 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.

**DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

**Arun Vyapar Udyog Pvt Ltd**  
**Key Financial Ratios**

	<b>31-Mar-2015</b> <b>Audited</b>	<b>31-Mar-2016</b> <b>Audited</b>
Net Sales/Revenues (crore)	232.88	178.54
EBIDTA (crore)	5.58	5.52
PAT (crore)	2.09	0.74
Tangible Networth (crore)	18.44	17.92
Total Debt : TNW (times)	1.53	1.99
Current Ratio (times)	1.33	1.36