

Rating Rationale

Brickwork Ratings assigns 'BWR BB' & 'BWR A4' for the Bank Loan Facilities amounting to ₹18 Cr of Arun Vyapar Udyog Private Limited

Brickwork Ratings has assigned following **Ratings**¹ for Bank Loan facilities of Arun Vyapar Udyog Private Limited (AVUPL or The Company).

| Facility | Limits (Rs.Crs) | Tenure | Rating |
|-----------------------|-----------------|---------------------------------|--|
| Fund Based | | | |
| Cash Credit | 8.00 | Long Term | BWR BB (Pronounced as BWR Double B) Outlook:Stable |
| Non Fund Based | | | |
| LC/(INLAND/IMPORT) | 10.00 | Short Term | BWR A4 (BWR A Four) |
| Total | 18.00 | INR Eighteen Crores Only | |

***Note:** above limits is Inclusive of a sub limit for buyers credit that is fully interchangeable with letter of credit and 50 per cent interchangeable with cash credit. As per bank CC limit has been reduced from Rs.10.00 Cr to 8.00 Cr and the above limits are reportedly renewed and active*

BWR has principally relied upon the audited financial results up to FY15, and projections up to FY17, publicly available information and information/clarifications provided by the Management.

The Rating draws strength from the promoter's experience and established track record in the steel industry, operational backing from group concerns engaged in a similar line of business, improvement in operating performance in FY15, established brand name, strategic location of the plant, established trade relations with key customers as well as suppliers.

The ratings are, however, constrained by AVUPL's moderate financial profile characterized by thin profitability margins, modest networth, high gearing level and intensely competitive nature of the TMT bar industry along with cyclicity inherent in the steel industry.

Background:

Arun Vyapar Udyog Pvt Ltd is incorporated in 1990 by Mr. Deepak Madan and Umesh Madan located at Gummidipoondi, Tamilnadu. Company is engaged in manufacturing and Trading of TMT bars on the Brand Name of Arun TMT. Company is manufacturing of TMT Bars in different ranges from 8mm to 32mm dia TMT Bars.

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

Company has installed Rolling mill capacity of 80000 MT Per annum with a QST technology to produce TMT Bars, whereas the utilized level is 52%.

The major Raw material required for the company is MS Billets and the same is procured from Outside India (Singapore) and from their sister concern Arun Smelters Pvt ltd, who manufacture. Company has deployed total 5 dealers in Chennai (3), Kerala (1), and Karnataka (1.) Company has ISO: 9001-2000 Certification.

AVUPL has an associate 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 AVUPL.

Financial Performance:

AVUPL had reported revenue of Rs233.85 Cr and PAT of Rs2.09 Cr in FY2015 as against revenue of Rs183.31 Cr and PAT of Rs0.12 Cr in FY2014.The EBITDA margin declined from 2.62% in FY14 to 2.39 % in FY15 and PAT margin improved from 0.07% in FY14 to 0.89% in FY15. Tangible Net worth (TNW) stood at Rs.18.44Cr on March 31, 2015 with Debt Equity ratio of 1.45 times (After adjusting for unsecured loans from promoters/directors). The current ratio was 1.34 times in FY15.

Rating Outlook:

The outlook of the company for the next one year is expected to be stable. Going forward, company's ability to scale up its operations, improve its profitability by efficient management of working capital, strengthen its capital structure, will remain the key rating sensitivities.

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