



Rating Rationale

18 May 2020

Arunnachala Impex Pvt. Ltd.

Brickwork Ratings Assigns Rating for the Bank Loan Facilities of Rs.65.00 Crs of Arunnachala Impex Pvt. Ltd. ('AIPL or 'the Company)

Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating *
Fund based	60.00	Long Term	BWR BBB-/Stable Assigned
Non-Fund Based	5.00	Short Term	BWR A3 Assigned
Total	65.00	INR Sixty Five Crores Only	

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

Details of Bank facilities is provided in Annexure-I

Rating Action/Outlook: Assigned/Stable

The ratings draw strength from the promoters' experience in the industry, comfortable credit risk profile and comfortable working capital cycle. The ratings are however constrained by geographical concentration of the business operations, exposure to volatile raw material prices and presence in a competitive industry.

Key Rating Drivers

Credit Strengths:

- **Promoters' experience in the industry**

The main promoters of AIPL, Mr. Selvaraj and Mrs. Kalaivani, have 30 years and 15 years respectively in trading of pulses. The promoters have established a healthy business relationship with customers which enable them to receive repeat orders from them.

- **Comfortable credit risk profile and operating cycle**

As on March 31, 2020 (prov.), Tangible Networth of AIPL was Rs.35.00 Crs. Further, the promoters and relatives have provided unsecured loans to the Company which are to be retained in the business during the currency of the Bank Loans. As a result, its TNW (Analysed) as on March 31, 2020 (prov.) was Rs.46.86 Crs. Owing to the financial support provided by the promoters, Total Gearing (Analysed) is comfortable at 1.02x as on March 31, 2020 (prov.). ISCR and DSCR of the Company for FY20 (prov.) are also comfortable at 2.53x and 1.87x. Due to efficient inventory management and faster debtor realisation, operating cycle of AIPL is comfortable at 27 days as on March 31, 2020 (prov.).

Credit Risk:



- **Geographical concentration of the business operations and intense competition in the market**

AIPL generates the majority of its revenue from its customers located in the State of Tamil Nadu, which limits the scale of its operations and also exposes it to the risk of adverse demand supply scenario in the state. Further, the Company faces stiff competition from a large number of organised as well as unorganised players in the market.

- **Exposure to volatile raw material price and intense competition in the market**

AIPL is mainly engaged in trading of agro commodities, whose prices are volatile in nature. However, the low inventory holding policy of the company mitigates the risk to some extent.

Analytical Approach and Applicable Rating Criteria

BWR has essentially relied upon the audited financials of the Company upto FY19, provisional financial results for FY20 (prov.), projections upto FY21, publicly available information and information/clarifications provided by the management.

Rating Sensitivities

Going forward the ability of the Company to further increase its scale of operation, expand its geographical presence and timely implementation of the envisaged capex would be the key rating sensitivities.

Positive: If the Company manages to increase its scale of operations without deteriorating its profit margins would be positive for ratings

Negative: Decline in scale of operation and credit risk profile could be negative for the ratings.

Liquidity Profile: Adequate

As on March 31, 2020 (prov.) the liquidity position of the Company is comfortable as its current ratio stood at 1.63x. AIPL's average CC utilisation for the last 6 months is around 95% and had a cash balance of Rs.5.68 Crs as on March 31, 2020 (prov.).

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)

About the Company

Arunnachala Impex Pvt. Ltd. (AIPL) is a Chennai based company incorporated in July 2005 by Mr. Selvaraj and Mrs. Kalaivani. AIPL is engaged in trading of pulses, sugar, other agri commodities and gunny bags. The Company receives orders from Tamil Nadu Government on tender basis and it also supplies to other local traders in the market. Pulses trading accounts to nearly 65-70% of its revenues. AIPL imports nearly 5% of its pulses requirements from countries like Myanmar, Tanzania, USA & Canada.

AIPL has rented 3 godowns in Tamil nadu. Presently, AIPL has rented a dal mill in Chennai which has a capacity of 3000 Tonnes/Month and it is in process of setting up its own Dal Mill.

AIPL is in process of setting up a Dall mill at SIDCO Industrial Estate, Thiruvallur, Tamil Nadu over 2.05 acres of land. The planned capacity of the Plant is 24000 MT/Annum. The Company has already purchased



the land, however due to COVID-19 outbreak the Company has postponed the project implementation by an year and also the term loan is now planned to be availed in Sep 2021.

The Project is planned to be funded through equity, USLs and internal accruals of Rs.8.50 Crs and Term Loan of Rs.10.00 Crs.

NON-COOPERATION WITH PREVIOUS RATING AGENCY: None

KEY FINANCIAL INDICATORS

		31.03.2018 Audited	31.03.2019 Audited
Total Operating Income	(Rs. Cr)	487.14	449.91
EBITDA	(Rs. Cr)	9.25	9.45
PAT	(Rs. Cr)	3.05	3.25
Tangible Networth (A)	(Rs. Cr)	22.49	29.43
Total Debt:TNW (A)	(Times)	1.12	1.64
Current Ratio	(Times)	1.38	1.23

KEY COVENANTS OF THE FACILITY TO BE RATED: NA



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

Sl. No.	Facility	Current Rating			Rating History		
		Type	Amount (Rs. Crs)	Rating	2019	2018	2017
1	Fund based	Long Term	33.00	BWR BBB-/Stable	NA	NA	NA
	Cash Credit						
3	Non-Fund Based	Short Term	5.00	BWR A3	NA	NA	NA
	Proposed CC						
	Proposed Term Loan		10.00				
	LC/BG		65.00	INR Sixty Five Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Trading Entities](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)

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Annexure I
Details of Rated Facilities

Bank	Name of Facility	Nature of the Facility	Rated Amount (Rs. Crs)
Indian Bank	Cash Credit	Fund Based- Long Term	13.00
	Proposed CC		17.00
	Proposed Term Loan		10.00
Bank of India	Cash Credit	Fund Based- Long Term	20.00
	LC/BG	Non-Fund Based	5.00
Total			65.00

Total Rupees Sixty Five Crores Only

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