

February 10, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	2.00	SMERA B-/Stable (Assigned)
Packing Credit**	7.50	SMERA A4 (Assigned)

** Letter of credit sublimit of CC Rs. 2.00 crores*
***FDBP sublimit of Packing Credit Rs. 7.50 crores*

SMERA has assigned a long-term rating of '**SMERA B-**' (read as **SMERA single B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Arun International (AI). The outlook is '**Stable**'.

The ratings are constrained by the firm's weak financial risk profile, modest scale of operations, working capital intensive operations and exposure to customer concentration risk.

However, the ratings are supported by the firm's experienced management.

AI, incorporated in 2000, is a Delhi-based firm engaged in manufacturing of stainless steel utensils & trading of stainless steel circles.

AIs weak financial risk profile is marked by high gearing (debt-capital ratio) of 3.72 times as on March 31, 2014 and moderate interest coverage ratio of 1.32 times in FY2013-14. Firm has modest-scale operations marked by revenues of Rs.40.32 crore in FY2013-14 (refers to financial year, April 01 to March 31). AI faces intense competition from several players in the stainless steel manufacturing industry.

AI has working capital intensive operations, with gross current assets (GCA) in the range of 160-170 days over the past three years. Owing to these high working capital requirements, the firm's cash credit limit (Rs.2.00 cr) has been fully utilised over the past 14 months ending Dec-14.

AI is exposed to customer concentration risk arising from high dependence on orders received from single customer namely Hussain & Lucky Gen. trading Co. Dubai (~54% sales in FY14). AI derived around 72% of sales from its top five customers.

Mr. Deoki Nandan Bagla, partner of AI, has more than a decade of experience in the firm's line of business, and the firm has established long standing relationship with its key customers and suppliers.

Outlook: Stable

SMERA believes AI will maintain its moderate business risk profile in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in profitability and accruals

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and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in profitability as well as accruals.

About the Firm

AI, incorporated in 2000, is a Delhi-based company engaged in manufacturing of stainless steel utensils & trading of stainless steel circles. All the partners are actively engaged in the day to day operations of the firm. AI has a manufacturing unit in Wazirpur, Delhi.

For FY2013-14, AI reported profit after tax (PAT) of Rs.0.17 crore on net sales of Rs.40.32 crore, as compared with PAT of Rs.0.14 crore on net sales of Rs.38.90 crore in FY2012-13. The company's net worth stood at Rs.3.47 crore as on March 31, 2014, as compared with Rs.2.14 crore a year earlier.

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