



Press Release

Trimurty Industry

August 28, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 6.40 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 6.40 crore bank facilities of TRIMURTY INDUSTRY. The outlook is 'Stable'.

Trimurty Industry was established in 2001 as a partnership firm by Mr. Kedarnath Agarwal and Mr. Naresh Chandra Agarwal. The firm is engaged in the manufacturing of structural steel products such as Mild Steel (MS) flats, angles, squares, rounds and channels from MS Ingots at Goa. The installed capacity stands at 15000 metric tons.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Trimurty Industry to arrive at rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

Trimurty Industry (TI) was established in 2001 and is engaged in manufacturing mild steel re-rolled products. Mr. Kedarnath Agarwal, one of the partners of TI, holds diploma in metallurgy and has been into steel rolling since 1993 through Global Ispat Limited which was engaged in manufacturing of mild steel ingots. Mr. Naresh Agarwal, Mr. P.C. Goyal, Mr. Vijay Mittal and Mr. Vishal Agarwal are the others partners of the firm and are engaged in the same line of business since over 15 years through group entity- Sunrise Electromelt Limited (SEL).

• Improvement in revenue and diversified customer base

The revenue of the firm has grown at a CAGR of 11 percent. The revenue stood at Rs.66.00 crore in FY2018 (based on the information given by the management) as against Rs.41.36 crore in FY2017. Further, the revenue as on 31 July, 2018 is Rs.37.00 crore. The improvement in revenue is on the back of increase in the sales volume. The current production capacity of the firm is 15000 MTPA which is fully utilized. The firm also has a diversified customer base with top 10 customers contribute to ~30 percent of total sales.

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and debt protection measures and low gearing. The net worth of the firm is average at around Rs.8.55 crore as on 31 March, 2017 as against Rs.7.28 crore as on 31 March, 2016. The improvement in net worth is on account of equity infusion of Rs.1.27 crore by the promoters. The firm has followed a conservative financial policy as reflected by peak gearing of 0.99 times over the last three years through FY2016-17.

The gearing of the firm has further improved to around 0.71 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.99 times as on 31 March, 2017 as against 1.08 times as on 31 March, 2016. The healthy revenue levels coupled with increasing operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 1.49 times in FY2017 and 1.51 times in FY2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times as on 31 March, 2017 as against 0.05 times as on 31 March, 2016.

Debt Service Coverage Ratio (DSCR) stood at 1.39 times for FY2017 as against 1.43 times in FY2016.

Acuite believes that the financial risk profile of TI will continue to remain moderate over the medium term on account of its improving scale of operations and conservative financial policy.

Weaknesses

- **Presence in a highly competitive, fragmented and cyclical industry**

TI operates in highly fragmented steel industry. TI faces competition from large number of organised, integrated and unorganised players. Further, it is also susceptible to cyclical in the end user industries viz. construction and infrastructure.

- **Susceptibility of profitability margins to fluctuations in prices of raw material**

Raw material is the largest cost component for TI, on an average it constitutes about 87 percent of total cost. The key raw material used by the firm is mild steel ingots, the prices of which tend to fluctuate day to day, being commodity nature. The global supply and demand of steel might affect the prices of steel. Hence, revenues and profitability margins are susceptible to fluctuations in the prices of raw material. Thus, any adverse price movements in steel prices and availability can materially impact the revenues and profitability.

- **Working capital intensive nature of operations**

TI has working capital intensive nature of operations marked by high Gross Current Assets (GCA) of ~127 days in FY2017 as compared to 115 days in FY2016. Inventory holding period is around 62 days as against creditors of 15 - 18 days. The cash credit limit utilisation is ~90-95 percent for last six months ended July 31, 2018.

Outlook: Stable

Acuite believes that Trimurty Industry will maintain a 'Stable' outlook from the experience of its partners over the medium term. The outlook may be revised to 'Positive' if the firm achieves higher than expected growth in revenue and improvement in profitability while maintaining capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue and decline in profitability or any significant deterioration in the financial risk profile of the firm.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	41.36	39.41	43.90
EBITDA	Rs. Cr.	1.20	1.15	1.22
PAT	Rs. Cr.	0.11	0.13	0.15
EBITDA Margin	(%)	2.90	2.91	2.77
PAT Margin	(%)	0.26	0.32	0.35
ROCE	(%)	6.83	7.13	15.59
Total Debt/Tangible Net Worth	Times	0.71	0.84	0.99
PBDIT/Interest	Times	1.49	1.51	1.51
Total Debt/PBDIT	Times	5.27	5.36	5.38
Gross Current Assets (Days)	Days	127	115	99

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jul-2017	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.40	ACUITE A4 (Reaffirmed)
09-May-2016	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	0.40	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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