

Press Release

Trimurty Industry

September 24, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 7.40 Cr. (Enhanced from Rs.6.40 Cr.)
Long Term Rating	ACUITE B+ / Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed and assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 7.40 crore (Enhanced from Rs.6.40 Cr.) bank facilities of Trimurty Industry (TI). 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 28,000 metric tons per annum.

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 Partners

Trimurty Industry (TI) was established in 2001 and is engaged in manufacturing of 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 three decades 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 others partners of the firm, who are engaged in the same line of business since over 15 years through group entity- Sunrise Electromelt Limited (SEL). The extensive experience of the partners has helped to establish long-standing relationship with customers and suppliers.

• Improvement in revenue and diversified customer base

The revenue of the firm has grown at a compounded annual growth rate (CAGR) of 20.48 per cent since 2015. The revenue stood at Rs. 92.49 crore in FY2019 (Provisional) as against Rs.55.61 crore in FY2018. Further, the revenue as on 15 September, 2019 is Rs.37.50 crore. The improvement in revenue is on the back of increase in the sales volume and addition of new customers. The current production capacity of the firm is 28000 MTPA, which is utilized at 81.00 per cent. The firm also has a diversified customer base with top 10 customers contribute to ~35 to 40 per cent of total sales in FY2019.

• 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. 9.73 crore as on 31 March, 2019 (Provisional) as against Rs. 9.45 crore as on 31 March, 2018. The net worth includes quasi Capital in the form of unsecured loans of Rs.3.53 crore for FY2019 (provisional) and FY2018. The firm has followed a conservative financial policy as reflected by peak gearing of 0.68 times over last three years through FY2017-19. The interest coverage ratio stood at 1.93 times in FY2019 (Provisional) as against 1.51 times in FY2018. The TOL/TNW stood at 1.22 times in FY2019 (provisional) as against 1.17 times in FY2018. The DSCR stood at 1.46 times in FY2019 (Provisional) as against 1.51 times in FY2018. 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

• Highly competitive industry and risk of capital

The firm operates in highly fragmented steel industry. TI faces competition from large number of organised, integrated and unorganised players. Further, it is also susceptible to cyclicalities in the end user industries viz. construction and infrastructure. Further, the firm is associated with the risk of capital withdrawal being partnership constitution by nature.

• Susceptibility of profitability margins to fluctuations in prices of raw material

The raw material is the largest cost component for TI, as on an average it constitutes about 87 per cent of the 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.

Liquidity Position:

The liquidity of the company is adequate marked by net cash accruals of Rs. 0.61 crore as against repayment obligation of Rs.0.10 to 0.15 crores for last three years ending FY2019. The Gross Current Assets (GCA) has improved from about 116 days in FY2018 to 74 days in FY2019 (provisional) has led to moderately utilised bank limits at 88.78 per cent over past six months ending August 2019. The current ratio stood at 1.62 times and NCA/TD stood at 0.09 times in FY2019 (Provisional).

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	92.49	55.61	41.36
EBITDA	Rs. Cr.	1.66	1.32	1.20
PAT	Rs. Cr.	0.40	0.14	0.11
EBITDA Margin	(%)	1.80	2.38	2.90
PAT Margin	(%)	0.43	0.24	0.26
ROCE	(%)	9.94	7.20	6.83
Total Debt/Tangible Net Worth	Times	0.70	0.68	0.71
PBDIT/Interest	Times	1.93	1.51	1.49
Total Debt/PBDIT	Times	3.72	4.97	5.27
Gross Current Assets (Days)	Days	74	116	127

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
29-Aug-2018	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.40	ACUITE A4 (Reaffirmed)
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	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable (Assigned)

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About Acuité Ratings & Research:

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