

Press Release

Trimurty Industry

September 01, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.7.40 Cr. bank facilities of Trimurty Industry. The outlook is '**Stable**'.

About the company

Trimurty Industry is a Goa-based partnership firm, established in the year 2001 by Kedarnath Agarwal, Naresh Chandra Agarwal, Vijay Kumar Mittal, Premchand Goyal, and Vishal Agarwal. The firm is engaged in the manufacturing of structured steel products like Mild Steel (MS) flats, angles, squares, rounds and channels from MS Ingots. Its factory is located at Salcette, Goa with a capacity of 28000 MTPA.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced Management and Established track record of operations

Trimurty Industry was established in 2001 and is engaged in manufacturing of mild steel rerolled products. Mr. Kedarnath Agarwal, one of the partners of Trimurty Industry, holds a 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 a long-standing relationship with customers and suppliers.

Acuite believes that the firm will continue to benefit from partner's experience in the industry and its established market presence over the medium term.

• Improvement in revenue and diversified customer base

The revenue of the firm has grown at a compounded annual growth rate (CAGR) of 22.15 per cent during FY2017-19 period. The improvement in revenue is on the back of an increase in the sales volume and the addition of new customers. The revenue of the firm, however, decreased to Rs.82.97 crore in FY2020 (Provisional) from Rs.92.66 crore in FY2019. The decrease in revenue is attributed to a decrease in realisation per unit on account of a decrease in the market price of the commodity. The current production capacity of the firm stands at 28000 MTPA, which has always been utilised at more than 80.00 percent over the past few years. The firm also has a storage capacity of 3600 MTPA.

Acuite believes that improvement in revenue from current levels to overcome the decreasing realisation per unit will be key to maintain the growth.

• Moderate financial risk profile

The firm has a moderate financial risk profile marked by moderate net worth and debt protection measures and moderate gearing. The net worth of the firm stood at Rs.6.67 crore as on March 31, 2020 (Provisional) as

against Rs.6.08 crore as on March 31, 2019. The total debt stood at Rs.9.52 crore as on March 31, 2020 (Provisional) which includes Rs.0.31 crore of a term loan, Rs.3.39 crore of unsecured loans and Rs.5.90 of working capital loans.

Its gearing improved to 1.43 times as on March 31, 2020 (Provisional) from 1.70 times as on March 31, 2019. The Interest Coverage Ratio (ICR) stood at 1.75 times in FY2020 (Provisional) as against 1.62 times in FY2019. The TOL/TNW has significantly improved to 1.78 times as on March 31, 2020 (provisional) from 2.55 times as on March 31, 2019.

Acuite believes that the financial risk profile of the firm will continue to remain moderate over the near term in the absence of any major future debt-funded capex.

Weaknesses

- **Highly competitive industry and risk of capital withdrawal**

The firm operates in a highly fragmented steel industry and faces competition from a large number of organised, integrated and unorganised players. Further, it is also susceptible to cyclicality at the end user industries viz. construction and infrastructure. Further, the firm is associated with the risk of a capital withdrawal being partnership constitution by nature which could adversely affect the capital structure, limiting financial flexibility.

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

The raw material is the largest cost component for the firm, which forms about 90 percent of the total cost incurred by the firm. 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 revenues and profitability.

Liquidity position: Adequate

This firm has adequate liquidity position marked by net cash accruals (NCA) of Rs.0.54 crore for FY2020 (Provisional) and Rs.0.44 crore for FY2019 as against their debt obligations which stood at Rs.0.08 crore as on March 31, 2020 (Provisional) and as on March 31, 2019. The cash accruals are expected to be in the range of Rs.0.40 crore to Rs.1.00 crore during FY2021-23 period, while repayment obligations of Rs.0.13 crore of long term debt as of today is expected to be completely serviced by FY2022. The firm had its working capital limits utilisation at ~85 percent during the last 6 months period ended July, 2020. The firm had cash and bank balances of Rs.0.10 as on March 31, 2020 (Provisional). The current ratio stood at 1.90 times as on March 31, 2020 (Provisional) as against 1.59 times as on March 31, 2019. Acuite believes that the liquidity of the firm is expected to be adequate in the near term on account of its comfortable cash accruals against its repayment obligations and availability of liquidity in working capital facilities for any short term requirements.

Rating Sensitivities

- Improvement, sustainability and healthy growth of revenues and profitability margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.
- Deterioration in the financial risk profile

Material Covenants

None

Outlook: Stable

Acuite believes that the outlook on Trimurty Industry will remain 'Stable' and the firm will benefit over the medium term supported by an experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenues, profitability, higher than envisaged debt-funded capex or working capital requirements deteriorating the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	82.97	92.66
PAT	Rs. Cr.	0.33	0.24
PAT Margin	(%)	0.39	0.26
Total Debt/Tangible Net Worth	Times	1.43	1.70

PBDIT/Interest	Times	1.75	1.62
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Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-Sep-2019	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.40	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE B+ / Stable (Assigned)
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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	9.55%	Not Applicable	7.00 (Revised from Rs.6.00 crore)	ACUITE B+ / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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