



**Press Release**  
**INDUSTRIAL ASSOCIATES**  
**June 30, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.75	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	3.25	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	15.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 Cr bank facilities of Industrial Associates (IA). The outlook remains '**Stable**'.

**Rating Rationale**

The rating takes into account the established and long track record of operations along with integrated nature of operation and experienced management. The rating also factors in the moderate financial risk profile with moderate net worth, gearing level and debt protection matrices. The business risk profile of the company remains stable however in FY2023 (Provisional) the revenues of the company marginally declined to Rs.24.67 Cr. as against Rs.26.96 Cr. in FY2022. The operating profit margin of the company remain comfortable at 13.78 percent for FY2023 (Provisional) compared against 10.09 in FY22. The rating is further constrained by fluctuation in profitability margins volatility in commodity prices, working capital intensive nature of operations and cyclical nature of the steel industry.

**About the Company**

Established in 1969, Industrial Associates (IA) is a partnership firm headed by the partners, Mr. Vijay Kumar Agarwal, Mr. Sushil Kumar Agarwal, Mr. Saket Agarwal and Mr. Vinay Agarwal. It is engaged in manufacturing and trading of refractory materials used in lining furnaces, kilns, fireboxes, and fireplaces. The firm's manufacturing unit is located in West Bengal with a capacity of 21600 MT per annum.

**Analytical Approach**

Acuite has considered the standalone financial and business risk profile of Industrial Associates (IA).

**Key Rating Drivers**

**Strengths**

- Long operational track record with experienced management

The firm has a long operational track record spanning over five decades. Moreover, the partners of the firm, Mr. Vijay Kumar Agarwal and Mr. Sushil Kumar Agarwal have an experience of over five decades in the industry and the other partners, Mr. Saket Agarwal



and Mr. Vinay Agarwal have been in the industry for more than one decade. IA has established relationship with reputed customers such as TATA Limited, SAIL, Indian Oil Corporation Limited (IOCL), National Thermal Power Corporation (NTPC) among others.



Furthermore, the firm has achieved revenues of Rs.26.96 Cr in FY2022 as compared to revenues of Rs.15.85 Cr in FY2021. The growth in top line is due to the increase in the monthly sales volume and increase in the capacity utilization. Further, for FY2023 the firm has achieved revenues of Rs.24.67 Cr (provisional). The marginal decline in revenue is due to delayed in order given to the customer.

Acuité believes that the firm will benefit from the long track operations and experienced management over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the firm remains moderate marked by modest net worth, moderate gearing and debt protection metrics. The tangible net worth of the firm marginally decreased to Rs.15.41 Cr. as on 31 March 2022 as compared to Rs.15.66 Cr. as on 31 March 2021 due to decrease in the partners' capital account. Further, the tangible net worth of the firm stood at Rs.14.91 Cr as on March 31, 2023 (Provisional). Acuité has also considered unsecured loan of Rs.8.60 crore as on March 31, 2022 and Rs.8.17 crore as on March 31, 2023 (Provisional). as quasi equity, as the same amount is subordinated with bank debt.

The gearing of the firm stood moderate at 1.28 times as on 31 March 31, 2023 (Provisional) as against 1.06 times as on March 31, 2022. The Interest coverage ratio (ICR) remained comfortable and stood at 1.75 times for FY2022. The debt service coverage ratio (DSCR) of the firm also stood comfortable at 1.22 times in FY2022. Further, Interest Coverage Ratio and Debt Service Coverage Ratio remained moderate at 1.78 times and 1.25 times respectively as on March 31, 2023 (Provisional). The net cash accruals to total debt (NCA/TD) remains at 0.07 times in both FY2023 (Provisional) and FY2022 and is expected to remain almost at same levels in the near term.

Going forward, Acuité believes that going forward the financial risk profile will remain healthy over the medium term, in absence of any major debt funded capex plans

## **Weaknesses**

- **Working capital intensive nature of operations**

The operations of the firm are working capital intensive nature of operations marked by high Gross Current Assets (GCA) of 293 days for FY2023 (Provisional) as compared to 329 days for FY2022. The high level of GCA days is on account of high inventory levels during the same period. The inventory holding stood high at 264 days for FY2023 (Provisional) as compared to 235 days for 2022. The reason for such inventory holding is due to maintaining minimum stocks of almost all the products in order to meet the customer demand instantly. However, the debtor period stood moderate at 65 days in for FY2023(Provisional) as compared to 100 days same period last year. The working capital intensive nature of operations has led the firm to rely on working capital through bank lines as reflected by average utilisation of 91 percent in last six months ended May 2023.

Acuité believes that the working capital operations of the group will remain at same level as evident from extended collection mechanism and high inventory levels over the medium term.

- **Profitability susceptible towards volatility in raw material prices with highly competitive industry**

The operating margin of the firm remain fluctuating in nature led by volatility in raw material prices. The operating profit margin of the firm declined to 10.09 percent in FY2022 compared against 15.84 percent in FY2021. Furthermore, the operating profit margin increased to 13.78 per cent in FY2023 (Provisional). The operating profit margins of the company remained susceptible towards volatility in raw material prices as reflected in last couple of years.

Furthermore, the refractory industry is intensely competitive due to presence of a number of



unorganized players and threat from cheaper imports. Further, due to highly competitive nature of the refractory industry, players have limited pricing flexibility and it is difficult to pass on any hike in raw material prices to customers due to fierce competition. Further the contracts are awarded through competitive bidding or tender process leading to pressure on the volume of the work or winning number of projects, pricing and profitability of the firm.

### **Rating Sensitivities**

- Improvement in the scale of operations while improving profitability margins
- Elongation in working capital cycle
- Sustenance in capital structure

### **Material covenants**

None

### **Liquidity Position**

#### **Stretched**

The firm's liquidity is stretched marked by the working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 293 days on 31<sup>st</sup> March 2023 (Provisional) as compared to 329 days on 31<sup>st</sup> March 2022. Further, the fund based limit remains highly utilized at 91 per cent over nine months ended May, 2023. However, the firm generated steady net cash accruals of Rs.1.42 Cr as on March 31, 2023 (Provisional) as against long term debt repayment of Rs.0.75 Cr over the same period. The cash and bank balances of the firm stood at Rs.0.04 Cr as on March 31, 2023(provisional). The current ratio stood comfortable at 1.43 times as on March 31, 2023(Provisional). Acuité believes that the liquidity position of the firm will continue to remain stretched on account of high utilisation of working capital limits led by working capital intensive nature of operations.

### **Outlook: Stable**

Acuité believes that the outlook on IA will remain 'Stable' over the medium term on account of the experienced management and steady business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

### **Other Factors affecting Rating**

Not Applicable



## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	24.67	26.96
PAT	Rs. Cr.	0.22	0.14
PAT Margin	(%)	0.91	0.50
Total Debt/Tangible Net Worth	Times	1.26	1.06
PBDIT/Interest	Times	1.78	1.75

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).



## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 May 2022	Bank Guarantee	Short Term	3.25	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	11.75	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
13 Nov 2020	Bank Guarantee	Short Term	3.25	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	11.75	ACUITE BB-   Stable (Reaffirmed)
14 Aug 2020	Cash Credit	Long Term	11.75	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	3.25	ACUITE A4 (Downgraded and Issuer not co-operating*)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.25	ACUITE A4+   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.75	ACUITE BB   Stable   Reaffirmed



## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:dipti.choudhary@acuite.in">dipti.choudhary@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.