



Press Release
Arun Vyapar Udyog Private Limited
October 27, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	13.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A3 Assigned
Bank Loan Ratings	15.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	38.00	-	-

Rating Rationale

Acuite has Reaffirmed long-term rating of '**ACUITE BBB- (read as ACUITE triple B minus)**' and short term rating of '**ACUITE A3 (read as ACUITE A three)**' on Rs.28.0 crore of bank facilities of Arun Vyapar Udyog Private Limited (AVUPL). The outlook is '**Stable**'.

Acuite has assigned long-term rating to '**ACUITE BBB- (read as ACUITE triple B minus)**' and short term rating to '**ACUITE A3 (read as ACUITE A three)**' on Rs.10.0 crore of bank facilities of Arun Vyapar Udyog Private Limited (AVUPL). The outlook is '**Stable**'.

The rating takes into account the improved operating income albeit slight moderation in EBITDA margin and moderate financial profile of AVPL. The operating income of group has been consistently growing since the last two years from FY2023. The Company's revenue stood at Rs.399.49 Cr in FY2023 as against Rs. 309.37 Cr in FY2022. The operating margins stood at 2.15 percent in FY2023 as against 2.49 percent in FY2022. The financial risk profile of the company continues to be moderate with moderate debt protection metrics and minimal gearing. The overall gearing of the Company stood at 0.39 times as on March 31, 2023 as against 0.24 times as on March 31, 2022. The interest coverage ratio stood at 1.88 times in FY2023 as against 1.78 times in FY2022.

The rating is however constrained by working capital operations, vulnerability of margins to fluctuations in the prices of metal and steel and geographical concentration.

About the Company

Arun Vyapar Udyog Pvt Ltd (AVUPL) incorporated in 1990 is engaged in manufacturing and trading of Thermo Mechanical Treatment (TMT) bars under the brand name 'Arun TMT' at its manufacturing unit in Gummidipoondi (Tamil Nadu). The company is manufacturing TMT bars in different ranges from 8mm to 32mm dia TMT bars. Directors of Arun Vyapar Udyog Private Limited are Ramasamy Packiam, Subhash Chandra Goel Ramgopal Goel, Dhaneshwar Singh, Arun Madan, Umesh Kumar Madan, Ramachandran Manokaran, the company currently has rolling mill capacity of 1, 20,000 MT per annum. AVUPL has associate concerns namely Arun Smelters Pvt Ltd (Manufacturing of MS Billets) and Sri Annapurna Rerolling Private Li

Standalone (Unsupported) Rating
None

Analytical Approach

Acuite has considered standalone financial and business risk profile of Arun Vyapar Udyog Private Limited

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

AVPL was incorporated in 1990 by Mr. Umesh Madan and Mr. Deepak Madan. The company have a track record of more than three decades in the iron and steel industry. The promoters have almost three decades of experience in the aforementioned industry. The company has a manufacturing facility located in Gummidipoondi (Tamil Nadu) with an installed capacity of 1,20,000 tons per annum. Acuite believes that the group will benefit from experienced management which will help the company to maintain long standing relations with its customer and suppliers.

- **Stable operating performance**

The operating income of AVPL has been improving last two years ending FY2023. The revenues stood at Rs.399.49 Cr in FY2023 as compared to Rs.309.37 Cr in FY2022. In line with increase in operating revenue, however operating margins stood at similar levels i.e., 2.15 percent in FY2023 as against 2.49 in FY2022 percent. Acuite believes that financial performance of the company is expected to improve going ahead, led by increase in demand.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate net worth, moderate capital structure and debt protection measures. The net worth of the company stood at Rs.37.56 Cr and Rs.35.54 Cr as on March 31, 2023 and 2022 respectively. led by accretion of profit to reserves. The unsecured loan to the tune of Rs.18.15 crore has been considered as quasi equity. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 1.88 times and 1.63 times as on March 31, 2023 respectively as against 1.71 times and 1.52 times as on March 31, 2022 respectively. Tol/ TNW stood at 1.94 times as on March 31, 2023, as against 1.39 times as on March 31, 2022. The debt to EBITDA of the company stood at 1.68 times on as on March 2023 as against 1.09 times in FY2022. Acuite expects the financial risk profile of the company to remain moderate over the medium term on account in the absence of any major debt-funded capital expenditure.

- **Moderately efficient working capital management**

AVUPL has moderately efficient working capital operations marked by gross current assets of 85 days in FY2023 as against 81 days in FY2022. The company sells its product through distributor network spread across Chennai. The company also receives advance payment against sale and remaining amount is received within 1 month. Inventory days stood at 61 days as on March 31, 2023 as against 30 days as on March 31, 2022. The debtor day stood at 21 days as on March 31, 2023 as against 43 days as on March 31, 2022. Creditors days stood at 51 days as on March 31, 2023 as against 46 days as on March 31, 2022. The fund based bank limits utilization of AVUPL is 31 percent for fund based and 93 percent for non-fund based respectively for the past 12 months ending July 2023.

Weaknesses

- **Geographical concentration**

The company derives 100% revenue from Tamil Nadu and has tie-up with 3-4 distributors through which sale is made.

- **Vulnerability of margins to fluctuations in the prices of metal and steel**

The profitability is susceptible to volatility in raw material prices of iron and steel products. The company operates in a highly fragmented and competitive industry with a large number of organized and unorganized players.

Rating Sensitivities

- Significant Improvement in revenue and profitability margins.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile

All Covenants

None

Liquidity Position: Adequate

AVUPL's Liquidity is adequate with adequate NCAs to its repayment obligations. AVUPL generated cash accruals of Rs.3.39 Cr during FY2023, while its maturing debt obligations are Rs.0.26 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.7-9 Cr during FY2024-25 while their repayment obligations are Rs. 0.49-0.60Cr during the same period. The Company has maintained unencumbered cash and bank balances Rs.5.06 Cr and the current ratio stood at 1.56 times as on March 31, 2023. Acuité expects that the liquidity of the company is likely to be Adequate over the medium term on account of moderate cash accruals.

Outlook: Stable

Acuité believes that the outlook of the 'AVUPL' will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	399.49	309.37
PAT	Rs. Cr.	2.02	1.57
PAT Margin	(%)	0.51	0.51
Total Debt/Tangible Net Worth	Times	0.39	0.24
PBDIT/Interest	Times	1.88	1.71

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Sep 2022	Letter of Credit	Short Term	15.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
13 May 2022	Letter of Credit	Short term	15.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	13.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
22 Feb 2021	Letter of Credit	Short Term	15.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
24 Jun 2020	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	13.00	ACUITE BB+ (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
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3 Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.