Press Release
ARUN VYAPAR UDYOG PRIVATE LIMITED
January 15, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.50	ACUITE BBB- | Stable | Assigned	-
Bank Loan Ratings	18.00	ACUITE BBB- | Stable | Reaffirmed	-
Bank Loan Ratings	20.00	-	ACUITE A3 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	52.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale
Acuite has reaffirmed long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus**o)n Rs. 18.00 Cr. bank facilities and short term rating of **'ACUITE A3' (read as ACUITE A three)**on Rs.20.00 Cr. 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 ACUITEtriple B minus)** on Rs.14.50 Cr. of bank facilities of Arun Vyapar Udyog Private Limited (AVUPL). The outlook is '**Stable**'.

Rationale for reaffirmation:
The rating reaffirmation continues to consider the extensive experience of AVUPL's management and its established track record of operations of over three decades in manufacturing and trading of TMT bars. Further, it considers the moderate growth recorded in the operating income with stable operating profit margin. The financial risk profile continues to remain moderate with moderate debt coverage indicators and gearing level. Furthermore, the working capital operations are efficient in nature.

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

About the Company
Arun Vyapar Udyog Private Limited (AVUPL), incorporated in 1990, is engaged in the 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 8 mm to 32 mm diameter TMT bars. Directors of Arun Vyapar Udyog Private Limited are Ramasamy Packiam , Subhash Chandra Goel, Dhaneshwar Singh, Arun Madan, Umesh Kumar Madan, and Ramachandran Manokaran: the company currently has a rolling mill capacity of 120,000 MT per annum. AVUPL has associate concerns, namely Arun Smelters Pvt Ltd (manufacturing of MS billets) and Sri Annapurna Rerolling Private Limited.

Unsupported Rating
Not applicable

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 has a track record of operations 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 120,000 tons per annum. The company has reported moderate growth in operating income with Y-o-Y growth of 9.63 percent as reflected in revenues of Rs. 437.97 Cr. in FY2024 as against Rs. 399.49 Cr. in FY2023 which is led by increased volumes. The EBITDA margin stood stable at 2.15 percent in FY2024 against 2.15 percent in FY2023. Acuité believes that the company will continue to benefit from its experienced management, which is likely to help company maintain long-standing relations with its customers and suppliers and improve operating performance over the medium term.

- **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.39.68 Cr. and Rs.37.56 Cr. as of March 31, 2024, and 2023, respectively, led by the accretion of profit to reserves. The unsecured loan to the tune of Rs. 18.15 crore has been considered as quasi equity. Gearing of the company stood at 1.06 times as on March 31, 2024, against 0.39 times as on March 31, 2023. Debt protection metrics—interest coverage ratio and debt service coverage ratio—stood at 1.74 times and 1.45 times as on March 31, 2024, respectively, as against 1.88 times and 1.63 times as on March 31, 2023, respectively. The debt to EBITDA of the company stood at 4.36 times as on March 2024 as against 1.68 times in FY2023. The deterioration is on account of an increase in short-term debt utilization levels in March 2024. Acuité expects the financial risk profile of the company to remain moderate over the medium term in the absence of any major debt-funded capital expenditure.

- **Efficient working capital operations**

  AVUPL has efficient working capital operations marked by gross current assets of 87 days in FY2024 as against 85 days in FY2023. The company sells its product through a distributor network spread across Chennai. Inventory days stood at 58 days in FY2024 as against 61 days in FY2023 The debtor day stood at 21 days in FY2024 as against 21 days in FY2023. Creditors days stood at 34 days in FY2024, as against 51 days in FY2023. The company procures around 25% of raw material, majorly from Singapore, and the remaining is domestically procured from Tamil Nadu. The raw material is imported against LC. The fund-based bank limits utilization of AVUPL to 67 percent for fund-based and 97 percent for non-fund-based, respectively, for the past seven months ending in October 2024.

Weaknesses

- **Geographical concentration**

  The company derives 100% of its 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

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

Liquidity Position: Adequate

AVUPL's Liquidity is adequate marked by adequate net cash accruals to its repayment obligations. AVUPL generated cash accruals of Rs.3.37 Cr. during FY2024, while it's maturing debt obligations stood at Rs.0.60 Cr. during the same period. The cash accruals of the company are estimated to remain around Rs.4.78-6.85 Cr. during FY2025-26 against its nominal repayment obligations of Rs. 0.29-0.66 Cr. during the same period. The Company has maintained unencumbered cash and bank balances Rs.0.06 Cr. and the current ratio stood at 1.58 times as on March 31, 2024. The bank limits utilization of AVUPL is 67 percent for fund based and 97 percent for non-fund based facilities respectively for the past seven months ending October 2024. Acuité expects that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	437.97	399.49
PAT	Rs. Cr.	2.12	2.02
PAT Margin	(%)	0.48	0.51
Total Debt/Tangible Net Worth	Times	1.06	0.39
PBDIT/Interest	Times	1.74	1.88

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
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Trading Entities: https://www.acuite.in/view-rating-criteria-61.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
27 Oct 2023	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB- | Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- | Stable (Assigned)
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 & Issuer not co-operating* from ACUITE A3)
	Cash Credit	Long Term	13.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- | Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BBB- | Stable | Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.50	Simple	ACUITE BBB- | Stable | Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE A3 | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE A3 | Reaffirmed

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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.

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