

Press Release

Integral Industries Private Limited

July 30, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	ACUITE BBB-/Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs. 80.00 crore bank facilities of Integral Industries Private Limited (IIPL). The outlook is '**Stable**'.

IIPL is a part of Mumbai-based Arya Group established in 1975. The group is promoted by Mr. Ravi Arya and is engaged in ship breaking, ship trading, ship chartering along with trading of steel coils plates and sheets. IIPL is engaged in trading of HR/CR steel sheets, coil and plates since 2012 and operates from Mumbai.

Analytical Approach

Acuité has consolidated financial and business profiles of RNV Industries Private Limited and Integral Industries Private Limited together referred to as The Group. The consolidation is in view of the common ownership, same line of business and operational linkages within the group.

Key Rating Drivers

Strengths

• **Established track record and experienced management**

The group is promoted by Mr. Ravi Arya, who has an experience of over four decades in the iron and steel industry. He is a seasoned businessman in the steel industry through other group companies. The group has presence in the industry since 1975. Mr. Nakul Arya, son of Mr. Ravi Arya and Managing Director of RIPL and IIPL have over two decades of experience in the steel industry.

• **Moderate financial risk profile**

The financial risk profile is moderate marked by tangible net worth of Rs.72.48 crore as on 31 March, 2018 (Provisional) as against Rs.62.25 crore as on 31 March, 2017. This includes unsecured loans and intercorporate deposits of Rs.41.35 crore and Rs.36.05 crore respectively treated as quasi equity as the promoters have committed to maintain these in the business for a long term. The gearing stood at 1.17 times as on 31 March, 2018 (Provisional) as against 1.06 times as on 31 March, 2017. The total debt of Rs.85.10 crore as on 31 March, 2018 (Provisional) comprises Rs.84.65 crore of working capital borrowings and loans of Rs.0.45 crore. The coverage indicators stood moderate with Interest Coverage Ratio of 1.36 times in FY2018 (Provisional).

Acuité expects the financial risk profile to remain moderate over medium term on account of high dependence on working capital borrowings to sustain business operations.

Weaknesses

• **Moderate scale of operations and profitability**

The group is engaged in trading of hot rolled and cold rolled sheets, coils and plates. The group procures the products customised on job work from Ukraine, China., Korea, and Russia among others and sells in the domestic markets. The group has reported revenues of Rs.380.36 crore in FY2018 (Provisional) as against Rs.356.56 crore in FY2017. The operating margins stood at 3.95 percent in FY2018 (Provisional) as against 4.45 percent in FY2017. The profit after tax (PAT) margins stood at 0.97 percent in FY2018 (Provisional) as against 0.90 percent in FY2017.

Acuité believes that the group's ability to improve its profitability will remain critical to maintain a stable credit profile.

- **Working capital intensive operations**

The group's operations are working capital intensive marked by Gross Current Assets of 228 days in FY2018 (Provisional) as against 243 days in FY2017. This is mainly due to high debtors of 144 days in FY2018 (Provisional) as against 157 days in FY2017 and inventory of 44 days in FY2018 (Provisional) as against 72 days in FY2017. Further, the group is supported by high credit offered by suppliers as majority of its creditors are LC backed with DP up to 270 days.

- **Extension of funds**

The group has extended loans and advances to other group companies to an extent of Rs.16.06 crore as on 31 March, 2018 (Provisional) and Rs.15.23 crore as on 31 March, 2017. This includes loans and advances to related parties. Acuité has knocked off these exposures with the net worth and the adjusted net worth stood at Rs.56.42 crore. The adjusted gearing (debt-equity) stood at 1.51 times as on 31 March, 2018 (Provisional). Acuité believes that any significant increase in the exposure towards group entities is likely to impinge on the financial risk profile and liquidity of the group.

- **Susceptibility of revenues to cyclicalities of the steel industry**

The prospects of the steel industry are strongly co-related to economic cycles. Demand for steel is sensitive to trends of particular industries, viz, automotive, construction, infrastructure and consumer durables, which are the key consumers of steel products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, among others of the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand. Since, the group is engaged in trading of steel related products, its revenues are directly related to the steel industry ups and downs.

Outlook: Stable

Acuité believes that IIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established track record. The outlook may be revised to 'Positive' in case of significant improvement in its business risk profile without impacting the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	380.36	356.56	371.17
EBITDA	Rs. Cr.	15.04	15.86	9.90
PAT	Rs. Cr.	3.68	3.21	2.37
EBITDA Margin	(%)	3.95	4.45	2.67
PAT Margin	(%)	0.97	0.90	0.64
ROCE	(%)	13.51	14.40	11.72
Total Debt/Tangible Net Worth	Times	1.17	1.06	1.20
PBDIT/Interest	Times	1.36	1.36	1.35
Total Debt/PBDIT	Times	4.33	3.49	4.88
Gross Current Assets (Days)	Days	243	259	235

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies- <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of credit	Not Applicable	Not Applicable	Not Applicable	45.00*	ACUITE BBB-/Stable
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB-/Stable

*Sublimit under FL: Letter of guarantee of Rs. 3.00 crore; Cash credit of Rs. 21.00 crore

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About Acuité Ratings & Research:

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