

Press Release

SHREE ARIHANT TRADE LINKS (INDIA) PRIVATE LIMITED

February 08, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 61.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs. 61.50 crore bank facilities of SHREE ARIHANT TRADE LINKS INDIA PRIVATE LIMITED. The outlook is '**Stable**'.

SATL, incorporated in 1998, was promoted by Mr. Naresh Kumar Jain, and is presently managed by board reprising of Mr. Sanjay Jain, Mr. Shyam Sundar Jain, Mr. Suresh Kumar Jain and Mr. Vinit Jain. The company is engaged in the manufacture of low-ash metallurgical coke (LAMC). It imports 100 percent of its raw material of coking coal from Australia and its product is sold to various clients in India. It also exports to Pakistan, Saudi Arabia, Egypt and Jordan.

Key Rating Drivers

Strengths

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

The management of SATL has nearly 2 decades of experience in manufacturing of low-ash metallurgical coke (LAMC). The track record of the company is also satisfactory.

- **Established relations with reputed customers**

The Company caters to various reputed customers in the Steel industry, Iron industry, etc. namely Electrotherm India Ltd., Hindustan Zinc Ltd, Tata Chemicals Ltd, Rockwool (India) Pvt Ltd., among others. The company has healthy realtions with its customers.

- **Healthy financial risk profile**

The Company has healthy networth of Rs.27.33 crore as on March 31, 2017 compared to Rs. 24.45 crore in the previous year. The increase is mainly on account of plough back of profits. The gearing improved to at 0.29 times as on March 31, 2017 compared to 0.60 times as on March 31, 2016. The total debt of Rs.7.79 crore mainly includes long term borrowings Rs.5.02 crore and short term borrowings of Rs.2.77 crore. The Interest Coverage Ratio stood at a healthy 3.87 times in FY2017 as compared to 1.93 times in the previous year.

Weaknesses

- **Competitive and fragmented nature of the industry**

The Company operates in competitive and fragmented segmented of industry. The competition stems from the small and large players in the industry as well as China which is the largest exporter of the coking coal.

- **Margins susceptible to volatility in raw material prices**

The prices of raw material (Coking coal) are volatile in nature, and therefore the margins of the company are susceptible to such volatility. Volatility in raw material and finished goods prices, sensitivity to geological conditions, government regulations and foreign currency exchange rates are the rating sensitivity factors.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of to arrive at the rating.

Outlook: Stable

SMERA believes that SATL will continue to maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	102.82	76.64	75.52
EBITDA	Rs. Cr.	10.14	5.29	4.58
PAT	Rs. Cr.	2.89	0.37	0.34
EBITDA Margin	(%)	9.86	6.90	6.06
PAT Margin	(%)	2.81	0.49	0.45
ROCE	(%)	18.81	8.65	13.47
Total Debt/Tangible Net Worth	Times	0.29	0.60	0.65
PBDIT/Interest	Times	3.87	1.93	2.25
Total Debt/PBDIT	Times	0.75	2.61	3.18
Gross Current Assets (Days)	Days	151	204	194

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Dec-2016	Cash Credit	Long Term	INR 8	SMERA BB / Stable
	Term Loan	Long Term	INR 4.5	SMERA BB / Stable
	Letter of Credit	Short Term	INR 30	SMERA A4+
	Derivative Exposure	Short Term	INR 0.4	SMERA A4+
	Proposed Long Term Loan	Long Term	INR 5	SMERA BB / Stable
18-Sep-2015	Term Loan	Long Term	INR 9.5	SMERA BB / Stable
	Cash Credit	Long Term	INR 8	SMERA BB / Stable

	Letter of Credit	Short Term	INR 30	SMERA A4+
	Derivative Exposure	Short Term	INR 0.4	SMERA A4+
26-Jun-2014	Term Loan	Long Term	INR 9.5	SMERA BB / Stable
	Cash Credit	Long Term	INR 8	SMERA BB / Stable
	Letter of Credit	Short Term	INR 30	SMERA A4+
	Derivative Exposure	Short Term	INR 0.4	SMERA A4+

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	50.00 (Enhanced from Rs.30.00 Crore)	SMERA A3+
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BBB- / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary Senior Analyst - Rating Operations Tel: 022-67141159 vishal.choudhary@smera.in	

ABOUT SMERA

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