

Press Release

Shree Arihant Trade Links (India) Private Limited

July 19, 2019

Rating Reaffirmed



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

* Refer Annexure for details

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 plus**) on the Rs. 61.50 crore bank facilities of Shree Arihant Trade Links (India) Private Limited (SATL). The outlook is '**Stable**'.

SATL, incorporated in 1998, was promoted by Mr. Naresh Kumar Jain, and is presently managed by a board comprising 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.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

SATL is one of the major players in the low-ash metallurgical coke industry. The promoters, Mr. Naresh Kumar Jain and Mr. Sanjay Jain have experience of around four decades in this industry. The customer base includes Electrotherm India Ltd.(EIL), Hindustan Zinc Ltd (HZL), JSW Steel Ltd. (JSW), Tata Chemicals Ltd (TCL), Rockwool (India) Pvt Ltd. (RPL), among others. The company has diversified across the international markets to Pakistan, Saudi Arabia, Egypt, Qatar, Spain and Jordan and derives the revenue to the tune of ~10 percent through export sales. SATL draws repeat business through its long standing relationships with clients. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 3 years through 2018-19. The company's revenue grew at a CAGR of 22.83 percent to Rs.189.87 crore over the aforementioned period. Acuite believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

• Moderate financial risk profile

SATL's financial risk profile is marked by moderate net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.32.58 crore as on 31 March, 2019 (Provisional) as against Rs.29.44 crore in the previous year on account of increasing revenues leading to higher accretion to reserves. The company's gearing is estimated to be low at 0.02 times as on 31 March, 2019 (Provisional) as against 0.03 times in the previous year.

The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 0.28 times as on March 31, 2017. The total debt of Rs.0.71 crore consists of long term debt of Rs.0.47 crore and Rs. 0.24 crore of unsecured loans from promoters. The moderate profitability levels have resulted in healthy net cash accruals of Rs.6.01 crore during 2016-19, while the debt levels have remained low at around Rs.0.71 crore during the same period, leading to moderate debt protection measures. The interest coverage ratio stood at 2.50 times in FY19 (Provisional) as against 9.19 times in the previous year. NCA/TD ratio stood 8.48 times in FY19 (Provisional). Acuite believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals.

Weaknesses

• Moderate working capital policy

The working capital management is marked by Gross Current Assets (GCA) of 108 days in FY2019 (Provisional) as against 148 days in FY2018. The company extends clean credit of around 45 days to its customers, resulting in moderate GCA days. The inventory and debtor levels stood at 46 days and 48 days in FY2019 (Provisional) as against 55 days and 35 days in FY2018, respectively. As a result, the average utilisation of bank limits stood low at ~15 percent in the last six months. Creditors stood at 95 days as on March 31, 2019 (Provisional). Acuite believes that the working capital requirements will continue to remain moderate over near to medium term.

• 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.

• Competition from imports

The domestic low ash met-coke sector faces steep competition from imports primarily from China and Australia. The domestic met coke industry has been suffering for a long time from huge dumping of met coke from China. In view of significant injury to the domestic industry as a result of dumping by these countries, the Government of India has levied an anti-dumping duty on import of such products in November 2016. The benefits of the duty are available to the company till November 2021. Any changes in the government stance post November 2021 can have an impact on the operating profitability of SATL and will be a key monitorable.

Liquidity Position

SATL has adequate liquidity marked by moderate net cash accruals. The company generated cash accruals of Rs.5.20 to Rs. 6.30 crore during the last three years through 2018 -19. The cash accruals of the company are estimated to remain at around Rs.9.76 to Rs. 11.24 crore during 2020 -22. The company's working capital operations are moderately intensive as marked by Gross Current Asset (GCA) days of 108 in FY 2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.4.79 crore as on March 31, 2019 (Provisional). The current ratio of the company stood average at 1.27 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual.

Outlook: Stable

Acuite believes that the outlook on SATL's rated facilities will remain 'Stable' over the medium term on account of its promoters' extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	189.87	138.40	102.82
EBITDA	Rs. Cr.	13.31	7.91	10.14
PAT	Rs. Cr.	3.15	2.10	2.89
EBITDA Margin	(%)	7.01	5.72	9.86
PAT Margin	(%)	1.66	1.52	2.81
ROCE	(%)	34.38	16.35	18.81
Total Debt/Tangible Net Worth	Times	0.02	0.03	0.28
PBDIT/Interest	Times	2.50	9.19	3.87
Total Debt/PBDIT	Times	0.05	0.10	0.75
Gross Current Assets (Days)	Days	108	148	151

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-May-2019	Term Loan	Long Term	2.00	ACUITE BBB- (Indicative)
	Proposed Long Term Loan	Long Term	1.50	ACUITE BBB- (Indicative)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Indicative)
	Cash Credit	Long Term	8.00	ACUITE BBB- (Indicative)
08-Feb-2018	Cash Credit	Long Term	8.00	ACUITE BBB- / Stable (Upgraded)
	Term Loan	Long Term	2.00	ACUITE BBB- / Stable (Upgraded)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Upgraded)
	Proposed Long Term Loan	Long Term	1.50	ACUITE BBB- / Stable (Upgraded)
20-Dec-2016	Cash Credit	Long Term	8.00	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Reaffirmed)
	Derivative Exposure	Short Term	0.40	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	5.00	ACUITE BB / Stable (Assigned)

***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	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A3+ (Reaffirmed)
Proposed Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3+ (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuute.in</p> <p>Sanket Kotkar Analyst - Rating Operations Tel: 02249294073 sanket.kotkar@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuute.in</p>

About Acuité Ratings & Research:

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