

Press Release

Shree Arihant Trade Links (India) Private Limited

October 31, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	60.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	61.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.61.50 Cr bank facilities of Shree Arihant Trade Links (India) Private Limited (SATLPL). The outlook remains '**Stable**'.

Rationale for the rating

The rating takes into account the consistent growth in the scale of operations of the company and the robust financial risk profile characterized by nil gearing and healthy debt coverage indicators. The rating also considers the experienced management and the long track record of the company's operations. These strengths are, however, offset by the working capital intensive nature of operations and the company's exposure to the foreign exchange rate fluctuation.

The rating factors the sharp increase in the profitability margins of SATLPL in FY2022 and FY2021 as compared to FY2020. The operating margin stood at 14.68 per cent in FY2021 which further increased to 21.88 per cent in FY2022 as compared to only 3.32 per cent in FY2020. The reason being, high demand and inadequate supply due to high volume demand and realizations driven by the additional export demand, on account of lower supply of Chinese LAM coke in the international market as Chinese manufacturers have cut down production of LAM Coke due to pollution issues and currently Chinese LAM coke manufacturers are exporting lower quantity to take care of their domestic requirement. Further, towards the end of FY2022, Russia's war on Ukraine impacted traditional supply routes for coal and LAM coke that led to supply gap in the export market. However, Acuite believes that any sharp increase in input prices with absence of almost similar increase in realisations can dent profitability significantly and hence the margins are expected to get moderated going forward considering the volatility of prices and susceptible condition of the industry.

About the Company

Based in Gujarat, Shree Arihant Trade Links (India) Private Limited (SATLPL) was incorporated in

1998. The company is promoted by Mr. Naresh Kumar Jain, Mr. Suresh Kumar Jain, Mr. Vinit Jain and Mr. Nimish Jain. SATLPL is engaged in the manufacture of low-ash metallurgical coke (LAMC) and has the manufacturing facility located at Gandhidham, Gujarat with an installed capacity of 144,000 MTPA. The company is also engaged in the trading of ferrous scrap and cast iron.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SATLPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced promoters**

SATLPL has been in existence for over two decades and is one of the major players in the low-ash metallurgical coke industry. The promoters, Mr. Naresh Kumar Jain and Mr. Sanjay Jain have four decades of experience in this industry. The promoters along with a team of capable professionals look after the day-to-day operations of the company. Acuité believes that the vast experience of the promoter and the long track record will continue to help the company in maintaining healthy relations with its customers and suppliers.

- **Significant improvement in the scale of operations**

The company has achieved revenues of around Rs.315.78 Cr in FY2022 as against Rs.190.89 Cr in FY2021 and Rs.184.13 Cr in FY2020, thereby registering a CAGR of 31.05 per cent over the last two years. The improvement in scale is on account of growing demand for metallurgical coke in the market. Moreover, the company has achieved revenues of Rs.172.96 Cr till September'22 (provisional). The company has established healthy relationship with its customers who are mainly iron, steel and zinc manufacturing companies, traders and distributors. The company has a reputed customer base of companies like Electrotherm India Ltd. (EIL), Hindustan Zinc Ltd (HZL), among others. The company exports to countries like Qatar, Morocco, South Korea and Jordan, which forms around 3-5 percent of its total sales, making it one of the very few countries in India exporting LAM coke. Further, the company has been importing its raw material requirement from renowned brands like Arvee International Pte. Ltd., Trafigura Pte. Ltd., since over a decade. Acuité believes that, going forward the sustainability in the revenue growth would be a key monitorable.

- **Robust financial risk profile**

The robust financial risk profile of the company is on account of high net worth base, nil gearing and very strong debt protection measures. The tangible net worth of the company increased to Rs.101.55 Cr as on March 31, 2022 from Rs.51.06 Cr as on March 31, 2021 due to accretion of reserves. The company has followed a conservative leverage policy as reflected by nil gearing in FY2022, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.65 times as on March 31, 2022 as against 1.37 times as on March 31, 2021. Moreover, the debt coverage metrics is marked by Interest Coverage Ratio (ICR) at 161.64 times as on March 31, 2022 and Debt Service Coverage Ratio at 116.57 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood high at 336.79 times as on March 31, 2022. Acuité believes that the financial risk profile of company will continue to remain robust over the medium term, in absence of any major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current

Asset (GCA) of 108 days in FY2022 as against 155 days in the previous year. The high GCA days are primarily on account of high amount of advances to suppliers. The debtor period is comfortable at 38 days as on March 31, 2022 as compared to 46 days in the previous year. Further, the inventory period also stood comfortable at 16 days as on 31st March, 2022 as compared to 21 days as on 31st March, 2021. Going forward, Acuité believes that the working capital management of the company will remain intensive over the medium term as evident from the high amount of advances to the suppliers.

- **Exposed to volatility in raw material prices and foreign exchange fluctuation risk**

The prices of raw material (coking coal) are volatile in nature, and therefore the margins of the company are susceptible to such volatility. The company imports around 75-85 percent of its raw material from Singapore and a few other countries. As a result, the company's business is exposed to fluctuations in foreign exchange rate. Hence, volatility in raw material and finished goods prices, government regulations and foreign currency exchange rates are the rating sensitivity factors. Also, realisation for LAM coke is exposed to heavy dumping of cheap LAM coke by China and Australia.

Rating Sensitivities

- Continuous growth in scale of operations
- Sustenance of capital structure
- Elongation of working capital cycle

Material covenants

None

Liquidity Position: Strong

The company's liquidity position is strong as reflected by net cash accruals of Rs.53.01 Cr in FY2021 as against long term debt repayment of only Rs.0.02 Cr over the same period. Further, the fund based limit utilization remained nil over the six months ended September, 2022. The current ratio stood comfortable at 2.31 times as on 31st March, 2022 as compared to 1.49 times as on 31st March, 2021. The cash and bank balances of the company stood at Rs.0.54 Cr in FY2022 as compared to Rs.0.50 Cr in FY2021. However, the company's working capital intensive operations is reflected from Gross Current Assets (GCA) of 108 days in FY2022 as compared to 155 days in FY2021 due to high amount of advance to suppliers. Acuité believes that going forward the company's liquidity position will be sustained due to healthy net cash accruals.

Outlook: Stable

Acuité believes that the outlook on SATLPL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations, the stable business risk profile and the sustained financial risk profile. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while sustaining their profit margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or deterioration in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

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Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	315.78	190.89
PAT	Rs. Cr.	50.67	18.39
PAT Margin	(%)	16.05	9.64
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	161.64	19.42

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>
- 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>

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
11 Aug 2021	Proposed Letter of Credit	Short Term	3.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
21 Sep 2020	Proposed Letter of Credit	Short Term	1.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
19 Jul 2019	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Reaffirmed)
	Proposed Letter of Credit	Short Term	1.50	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- (Issuer not co-operating*)

02 May 2019	Proposed Long Term Loan	Long Term	1.50	ACUITE BBB- (Issuer not co-operating*)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BBB- (Issuer not co-operating*)
08 Feb 2018	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Upgraded from ACUITE A4+)
	Proposed Long Term Loan	Long Term	1.50	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
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)
18 Sep 2015	Term Loan	Long Term	9.50	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB Stable (Reaffirmed)
		Short		
	Letter of Credit	Term	30.00	ACUITE A4+ (Reaffirmed)
	Derivative Exposure	Short Term	0.40	ACUITE A4+ (Reaffirmed)
26 Jun 2014	Term Loan	Long Term	9.50	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BB Stable (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Assigned)
	Derivative Exposure	Short Term	0.40	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	60.50	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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