Press Release

A.R Thermosets Pvt. Ltd

April 01st, 2022

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – Term Loan	9.72	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Long term Bank Facilities – Cash Credit	25.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities - ILC	10.00	IVR A3+/Stable Outlook (IVR Single A Three Plus With Stable Outlook)	Assigned	Simple
Total	**44.72 (Forty Four Crores and seventy Two Lakhs Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of A.R Thermosets Pvt. Ltd (ART) take comfort from experience management, moderate profitability margin and diverse customer base.However it is partly offset by its modest and fluctuating scale of operations with moderate working capital requirement as reflected by almost 55% utilization of working capital limits along with regular adhoc limits, elongated operating cycle and it's presence in a highly competitive industry.

Key Rating Sensitivities:

Upward Factors

Procurement of new orders providing medium to long term revenue visibility along with a substantial and sustained improvement in the revenue and cash accruals while maintaining the debt protection metrics and improvement in capital structure and liquidity.

Downward Factors

Further elongation of working capital cycle, any decline in the revenue and/or profitability leading to deterioration in liquidity position and impairment in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and rich experience of the promoters :**

  The company has been into the business of manufacturing of road construction materials viz. bitumen, metal crash barriers and road marking paints for approximately two and a half decades i.e. since 1997 which has helped the company to establish a healthy relationship with government as well as private customers. Further, the promoters of the company, Mr. Manoj Gupta and Mr. Saurabh Gupta carry rich experience of over three and two decades respectively in the line of business through which the company has gained strength to expand its footprint in the road sector.

- **Group Support :**
  ART is having strong group support from its group company MKU Ltd which is into the business of manufacturing bullet proof jackets and armour solutions. MKU Ltd's management is the same as ARTPL so the ARTPL gets fund support as well apart from bridging linkages through which ARTPL enhances its customer base.

- **Average Financial Profile :**
  The financial profile of the company is average as the tangible net worth has increased y-o-y due to retention of profit. The CPLTD for FY22 is Rs.3.15 crs against Gross cash accruals for FY22 of Rs.14.28 crs. The gearing ratio and TOL/TNW is average at 1.28x & 1.75x in FY21. The satisfactory debt protection metrics as ISCR & DSCR stood at 10.38x & 3.36x in FY21 against 5.30x and 1.74x in FY20. The operating profit margin and net profit margin increased to 8.88% & 3.73%% in FY21 from 8.73% & 2.87% in FY20. The current ratio is average at 1.49x in FY21.

- **Continuous Growth in operation :**

The company has a continuous growth in operations as the revenue is increasing since 2019 as it increased by 20% in FY20, and 31% in FY21 and the company is targeting to achieve a turnover of over RS.200 crs in FY22.In the first Ten Months of current FY22, company has already achieved turnover of Rs.194.98 crs. Considering the work orders and the supplier and customer relations, IVR assumes a continuous increase in the revenue.

Key Rating Weaknesses

- **Working capital intensive nature of operations :**

  The nature of operations of the company are working capital intensive which is evident from the elongated conversion cycle of 115days in FY 2021 as against 110 days in FY 2020. Since the clientele of the company mostly consists of government there is a delay in releasing the payments resulting an increase in receivable days.

- **Intense competition :**

  The company faces stiff competition from numerous regional small scale players. The level of government regulation in the infrastructure sector also affects the business operations of the company

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for Manufacturing entities
Financial Ratios & Interpretation Non- Financial Sector

Liquidity – Adequate

ART has an adequate current ratio of 1.49x as on March 31,2021 and generated cash accrual of Rs 14.28 – 19.32 from F.Y 22 - 24 crore against the repayment of Rs 3.15 – 2.31 crore from F.Y 22-24. Further the liquidity position of the company remained good mainly due to its improved average collection period from various private parties. Accordingly, its fund-based working capital limits remained Low utilised at ~54.25% during the past 12 months ended Feb, 2022. Further, the non-fund based limits of the company remained fully utilised.

About the Company

A R Thermosets Private Limited is a professionally managed, steadily expanding organization that began operations in 1996 and today has 4 manufacturing facilities across the country with a new facility's setup currently underway in full swing.

Company provides a variety of products to the Road Industry – from manufacturing and supplying of Bitumen Emulsions to Modified Bitumen's, Metal Beam Crash Barriers, Thermoplastic Road Marking Paint and Patch Ezee Pothole Repair Mix.

Company also provide a variety of Contracting Solutions such as Micro surfacing, Pavement Recycling (with an in-situ specialization), Road Construction (Hot Mix, Cold Mix and RAP Mixes), Supply and Application of Thermoplastic Road Marking Paints as well as Supply and Erection of Metal Beam Crash Barriers.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	111.04	145.70
EBITDA	9.70	12.93
PAT	3.20	5.45
Total Debt	26.41	33.57
Tangible Net worth*	24.05	29.50
EBITDA Margin (%)	8.73	8.88
PAT Margin (%)	2.87	3.73
Overall Gearing Ratio (x)	1.27	1.28

**as per Infomerics standards*

Status of non-cooperation with previous CRA : N.A

Any other information: Nil

Rating History for last three years:

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Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	9.72	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	-	-
2.	Cash Credit	Long Term	25.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)			
3	ILC	Short Term	10.00	IVR A3+/Stable Outlook (IVR Single A Three Plus With Stable Outlook)			

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Term Loan	-	-	-	9.72	IVR BBB/Stable (IVR Triple B with Stable Outlook)
Long Term Bank Facilities- Cash Credit				25.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)
Short Term Bank Facilities- ILC				10.00	IVR A3+/Stable Outlook (IVR Single A Three Plus With Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/AR-Thermosets-lenders-apr22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com