



## Press Release

### ARB Conveyors Limited

September 19, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	57.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	<a href="#">Simple</a>
Short Tern Bank facilities	23.00	IVR A3 (IVR A Three)	-	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>80.00</b>	<b>(Rupees Eighty-Crore Only)</b>			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has assigned the long-term rating of IVR BBB minus with a stable outlook and short-term ratings of IVR A3 for the bank loan facilities of ARB Conveyors Limited. The assigned rating takes into consideration the established track record of operations and experienced management, reputed clientele and diversified end- user industry base with growing scale of operations and moderate profitability. However, these rating strengths are partially offset by susceptibility to volatile raw material prices and intense competitive pressure and moderate financial risk profile.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR has principally relied on the audited financial results of the company up to March 31, 2023, and provisional financials for FY2024 (refers to period April 1st, 2023, to March 31, 2024) further projected financials for the FY2025 - FY2027 (refers to period April 1st, 2024, to Mar 31, 2027), and publicly available information/ clarifications provided by the company's management.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained growth in scale of business and improvement in profit margins leading to improvement in cash accruals and liquidity position.
- Sustained improvement in debt protection metrics, specific trigger for a rating upgrade includes TOL/TNW less than 2.5 times on sustained basis and revenue of Rs 200 crores or more on sustained basis.



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### **Downward Factors**

- Significant decline in operating income and/or
- Deterioration in profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile. Specific credit metrics like TOL/TNW greater than 3 times on sustained basis.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Established track record of operations and experienced management**

The company is managed by the Mr. Rajinder Thakur (Director) and Mrs. Asha Singh (Director). Mr. Rajinder Thakur looks after overall functions of the business. The senior management is supported by team of qualified second tier management carrying long experience in the manufacturing of conveyor belts.

##### **Reputed clientele and diversified end- user industry base**

ARB Conveyors Limited caters to a diversified end-user industry base, including steel, cement, power plants, mining and agriculture, which enables it to withstand slowdown in a particular industry and the company's clientele includes reputed government and private entities such as Steel Authority of India, Maharashtra State Power Generation Co. Ltd., indicating a strong reputation and a strong customer base among these clients further strengthens its market position and stability.

##### **Growing scale of operations and moderate profitability**

The scale of operations of the company has increased with a CAGR of 32.8% in the last three years ending March 31, 2024. Further the TOI of the company on y-o-y basis increased by 14.69% and stood at Rs. 225.90 crore in FY24 (Prov), which was Rs. 196.96 crore during FY23 on account of allotment of more tenders and better price realisation of product in market during the year. The TOI in FY22 was Rs. 141.03 crore. The company reported EBITDA of Rs. 11.35 crore during FY24 (Prov) increased from Rs. 9.56 crore in FY23. The PAT of the company stood at Rs. 4.85 crore in FY24 (Prov) increased from Rs.3.03 crore in FY23. The EBITDA margin improved by 17 bps and stood at 5.02% during FY24 (Prov) compared to 4.85% during FY23 on account of decline in overall manufacturing expenses and higher margin earned on executed orders. Subsequently, the PAT margin of the company also



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improved by 59 bps and stood at 2.14% in FY24 (Prov) compared to 1.54% in FY23. The GCA of the company stood at Rs. 7.18 crore for FY24 increased from Rs. 5.41 crore in FY23 on account on increase in profitability.

### **Key Rating Weaknesses**

#### **Moderate financial risk profile**

The capital structure of the company stood moderate marked by overall gearing at 1.52x as on March 31, 2024 (Prov), improved from 2.10x as on March 31, 2023, on account of takeover of proprietorship business of ARB Conveyors by ARB Conveyors Limited where the company has higher paid-up capital amounting Rs. 20.90 crore as on balance sheet date March 31, 2024, along with schedule repayment of bank borrowings. The TOL/TNW stood leveraged at 3.85x as on March 31, 2024 (Prov), although improved from 5.40x as on March 31, 2023, on account of significant increase in equity share capital and improvement in reserve balances. In terms of the debt protection metrics, the interest service coverage ratio (ISCR) stood at 4.35x in FY2024 (Prov) improved from 4.25x in FY23, due to increase in operating profitability. The DSCR stood comfortable at 2.19x in FY24 (Prov) as compared to 3.10x in FY23. Total debt to GCA stood at 4.74x in FY24 improved from 5.38x in FY23 on account of higher increase in GCA compared to increase in total debt.

#### **Susceptibility to volatile raw material prices and intense competitive pressure**

Intense competition and direct linkage with raw material prices (mainly rubber and steel) continue to constrain pricing power and hence, profitability. Operating profitability will continue to be affected by raw material price fluctuations and intense industry competition over the medium term.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

**Liquidity** – Adequate



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The company has an adequate liquidity profile marked by adequate cushion in gross cash accruals vis-a-vis its debt obligations. The company's bank limits are utilized to an extent of 70.32% for the last 12 months ended March 2024. The current ratio and quick ratio of the company stood at 1.21x and 0.62x respectively as on March 31, 2024 (Prov) compared to 1.11x and 0.70x respectively as on March 31, 2023. The unencumbered cash and bank balance as on March 31, 2024 (Prov), stood at Rs 2.14 crore. Gross cash accrual for FY 2025 is estimated at Rs. 11.37 as against CPLTD of Rs. 1.87 crore.

### **About the Company**

ARB Conveyors Limited is a limited company incorporated on 19th April 2022 at Jalandhar, Punjab. Mr. Asha Singh and Mr. Rajinder Thakur are the promoters of the company. The company has taken over the proprietorship business of ARB Conveyors (Started business in 2002) and continued in same line of business. The entity is in the field of manufacturing different kinds of rubber conveyors belt, chevron conveyor belts, rubber sheets and transmission belts. Company has an annual production capacity of 15 lac metres p.a., and they supply their products across India and as well as they export to USA, Europe and Middle East etc.

### **Financials Standalone:**

(Rs. crore)		
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	196.96	225.90
EBITDA	9.56	11.35
PAT	3.03	4.85
Total Debt	29.12	34.02
Tangible Net Worth	13.85	22.32
EBITDA Margin (%)	4.85	5.02
PAT Margin (%)	1.54	2.14
Overall Gearing Ratio (x)	2.10	1.52
Interest Coverage (x)	4.25	4.35

\* Classification as per Infomerics Standard

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating History for last three years:**



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Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Limits	Long Term	57.00	IVR BBB-/ Stable (IVR Triple B Minus with stable outlook)	-	-	-
2.	Fund Based Limits	Short Term	7.00	IVR A3 (IVR A Three)	-	-	-
3.	Non-Fund Based Limits	Short Term	16.00	IVR A3 (IVR A Three)			

### Analytical Contacts:

Name: Vipin Jindal  
Tel: (011) 45579024  
Email: [vipin.jindal@infomerics.com](mailto:vipin.jindal@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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





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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Sep-29	8.50	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)
WCTL-1	-	-	-	Oct-27	1.81	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)
WCTL-2	-	-	-	Nov-27	1.57	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)
DLOD	-	-	-	Sep-29	1.49	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)
Term Loan	-	-	-	May-27	3.89	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)
Cash Credit	-	-	-	-	23.00	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)



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Bank Guarantee	-	-	-	-	16.00	IVR A3 (IVR A Three)
EPC	-	-	-	-	7.00	IVR A3 (IVR A Three)
Proposed	-	-	-	-	16.74	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)

**Annexure 2: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-ARB-Conveyors-sep24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated analysis:** 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](http://www.infomerics.com).