



Press Release

A.R Thermosets Private Limited

March 31, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	38.17	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Re-affirmed	Simple
Short Term bank Facilities	10.00	IVR A3+ (IVR Single A Three Plus)	IVR A3+ (IVR Single A Three Plus)	Re-affirmed	Simple
Total	48.17 (Rupees Forty Eight Crores and Seventeen Lakhs Only)				

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating 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 56.07% utilization of working capital limits elongated operating cycle and it's presence in a highly competitive industry.

Key Rating Sensitivities:

Upward Factors

- Improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.
- 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.



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Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action
- Deterioration in capital structure

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.

- **Comfortable Financial Profile :**

The financial profile of the company is comfortable as the tangible net worth has increased y-o-y due to retention of profit. The CPLTD for FY23 is Rs.4.11 crs against Gross cash accruals for FY23 of Rs.28.68 crs. The gearing ratio is improved at 0.68x in FY22 and the TOL/TNW is average at 1.02x in FY22. The satisfactory debt protection metrics as ISCR & DSCR stood at 12.73x & 4.17x in FY22 against 10.38x and 3.38x in FY21. The operating profit margin



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increased in FY22 to 14.44% from 8.88% in FY21 and net profit margin to 8.85% in FY22 from 3.73% in FY21. The current ratio is average at 1.98x in FY22.

- **Continuous Growth in operation:**

The company has a continuous growth in operations as the revenue is increasing since 2020 as it increased by 31.00% in FY21 and 67.00% in FY22 and the company is targeting to achieve a turnover of over Rs.256.00 crs in FY23. In the first Nine Months of current FY23, they have already achieved turnover of Rs.167.00 crs. Considering the work orders and the supplier and customer list, IVR assumes a continuous increase in revenue.

Key Rating Weaknesses

- **Moderate working capital management:**

The operating cycle of the company is improved from 115 days to 64 days due to improvement in average collection period from 68 days to 26 days in FY22 and reduction in inventory days from 67 days to 59 days in FY22. However in the projected period the operating cycle has been elongated to 76 days in FY25 from 64 days in FY22. IVR believes that the working capital operations of the company will remain almost at the same levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term

- **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.



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Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Manufacturing entities](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

ART has an adequate current ratio of 1.98x as on March 31,2022 and generated cash accrual of Rs 28.68 Crore – 31.29 from F.Y 23 - 25 crore against the repayment of Rs 4.71 – 4.50 crore from F.Y 23-25. 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 ~56.07% during the past 12 months ended Jan, 2023. Further, the non-fund based limits of the company remained highly 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 provide 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.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	145.70	244.03
EBITDA	12.93	35.25
PAT	5.45	21.63
Total Debt	33.57	31.15
Tangible Net worth*	29.50	51.13
EBITDA Margin (%)	8.88%	14.44%
PAT Margin (%)	3.73%	8.85%
Overall Gearing Ratio (x)	1.28x	0.68x

*as per Infomerics standards



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Status of non-cooperation with previous CRA : Nil

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)				Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Date : 01 st April, 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Cash Credit	Long Term	25.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	-	-
2	Term Loan	Long Term	13.17	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	-	-
3	ILC/FLC	Short Term	10.00	IVR A3+ (IVR Single A Three Plus)	IVR A3+ (IVR Single A Three Plus)	-	-	-

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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



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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

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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 – Cash Credit	25.00				IVR BBB/ Stable (IVR Triple B with Stable outlook)
Long Term Bank Facilities – Term Loan	13.17				IVR BBB/ Stable (IVR Triple B with Stable outlook)



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Short Term Bank Facilities – ILC/FLC	10.00				IVR A3+ (IVR Single A Three Plus)
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Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-ARthermosets-mar23.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