



Press Release

Argunt Aggregates Private Limited

April 07, 2023

Rating

| Facility | Amount (Rs. Crore) | Rating | Rating Action | Complexity Indicator |
|---------------------------|--|--|------------------|--|
| Long Term Bank Facilities | 5.32 | IVR BB/Stable (IVR Double B with Stable Outlook) | Assigned | Simple |
| Total | 5.32 (INR Five crore and thirty-two lakhs only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Argunt Aggregates Private Limited (AAPL) derives comfort from extensive experience of its promoter coupled with satisfactory capital structure and satisfactory debt protection metrics. However, these rating strengths are partially offset by its modest scale of operations, exposure to intense competition and exposure to economic cyclicality.

Key Rating Sensitivities:

Upward factors

- Significant growth in scale of business with improvement in topline and profitability leading to rise in gross cash accruals on a sustained basis
- Sustenance of the capital structure with overall gearing to remain below 1x and /or improvement in debt protection metrics
- Effective working capital management leading to improvement in liquidity

Downward Factors

- Dip in operating income and/or moderation in profitability with drop in EBITDA margin impacting the gross cash accruals
- Deterioration in the capital structure with moderation in overall gearing to over 1.5x and/or deterioration in debt protection metrics with interest coverage below 5x
- Elongation in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

- **Extensive experience of the promoter**

AAPL is being managed by Mr. K. Chandrasekharan having more than a decade of business experience.

- **Satisfactory capital structure and satisfactory debt protection metrics**

The capital structure of the company had remained satisfactory as on March 31, 2022. With low debt in the capital structure, both long-term debt to equity and overall gearing has improved and remained satisfactory at 0.41x and 0.70x respectively as on March 31, 2022, against 0.55x and 0.85x respectively as on March 31, 2021. The overall indebtedness marked by TOL/TNW has improved and stood at 1.49x as on March 31, 2022, against 1.82x as on March 31, 2021.

Key Rating Weaknesses:

- **Modest scale of operation**

The scale of operations of the company remained small and erratic in the range of Rs.20-Rs.25 crore during FY20-FY21. The topline of the company moderated in FY21 mainly due to impact of Covid pandemic. However, the same has improved in FY22 to Rs.37.51 crore driven by higher sales volume in the post pandemic scenario attributable to improvement in demand scenario. Small scale of operations restricts the financial flexibility of the company to an extent. During 9MFY23, the company has achieved a revenue of Rs.35.17 crore.

- **Exposure to intense competition**

AAPL is exposed to intense industry competition which impacts the pricing power of the players due to commoditized nature of its products. The industry is marked by presence of several medium and small-scale players given the low technology requirement to commence the business.

- **Exposure to economic cyclicality**

The business of the company is large linked with the fortune of infrastructure sector which in turn is dependent on economic movements in the country.

Analytical Approach: Standalone

Applicable Criteria:



Press Release

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate based on its expected sufficient cash accrual during the projected period to support its debt repayment obligation if the company does not avail in fresh loan in the projected period. Further, the company has moderate capital structure. However, the average utilization of the company stood at ~89% during the last 12 months ended October 2022, indicating a moderate liquidity buffer.

About the Company

Incorporated in 2011, AAPL is an aggregate manufacturing company situated in Vellore and supplying materials to Chennai Market for ITD Cementation, Chennai Metro Rail Project and various other projects in Chennai. AAPL is engaged in a business of manufacturing of blue metals, aggregates predominantly used under construction industry. The company has its manufacturing facility located at Annaimallur Village, Tamil Nādu. Mr. K. Chandrasekaran has more than decades of exposure in the field and has built up a strong relationship with the clients.

Financials of Argunt Aggregates Private Limited (Standalone):

| For the year ended* / As On | (Rs. crore) | |
|-----------------------------|----------------|----------------|
| | 31-03-2021 | 31-03-2022 |
| | Audited | Audited |
| Total Operating Income | 20.72 | 37.51 |
| EBITDA | 3.43 | 3.73 |
| PAT | 0.72 | 1.15 |
| Total Debt | 7.86 | 7.24 |
| Tangible Net worth | 9.20 | 10.35 |
| EBITDA Margin (%) | 16.55 | 9.95 |
| PAT Margin (%) | 3.42 | 3.06 |
| Overall Gearing Ratio (x) | 0.85 | 0.70 |
| Interest Coverage Ratio (x) | 4.44 | 5.53 |

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



Press Release

(Rs. Crore)

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2023-24) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|-------------------------------|------------------------------|----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Cr.) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1. | Term Loan | Long Term | 1.68 | IVR BB; Stable | - | - | - |
| 2. | Covid Loan | Long Term | 0.64 | IVR BB; Stable | - | - | - |
| 3. | Cash Credit | Long Term | 3.00 | IVR BB; Stable | | | |

Name and Contact Details of the Rating Analyst:

Name: Indranil Mukherjee

Tel: (033) 46022266

Email: indranil.mukherjee@infomerics.com

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics Ratings:

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

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Press Release

assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Cr) | Rating Assigned/ Outlook |
|---|------------------|------------------|---------------|---------------------------|--------------------------|
| Long Term Fund Based Limits – Term Loan | - | - | Dec 2023 | 1.68 | IVR BB; Stable |
| Long Term Fund Based Limits – Covid Loan | - | - | Jan 2026 | 0.64 | IVR BB; Stable |
| Long Term Fund Based Limits – Cash Credit | - | - | - | 3.00 | IVR BB; Stable |

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-ArguntAggregates-apr23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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.