



September 22, 2010

ICRA reaffirms the LBB+ and A4+ ratings assigned to the enhanced bank facilities of Arya Ship Breaking Company Private Limited; assigns stable outlook

ICRA has re-affirmed the LBB+ (pronounced L double B plus)[†] rating assigned to the long-term fund-based limit# of Arya Ship Breaking Company Private Limited (ASBCPL); rated amount reduced from Rs. 90.0 crore to Rs. 50.0 crore. ICRA has assigned Stable outlook to the long term rating. ICRA has also re-affirmed the A4+ (pronounced as A four plus) rating assigned to the short term non-fund based limit* of ASBCPL; rated amount enhanced from Rs. 100.0 crore to Rs. 180.0 crore⁵.

The ratings continue to be constrained by competitive nature of industry; significant dependence of the company on steel trading and susceptibility to adverse movements in commodity prices and exchange rates. The ratings also factor in the decline in the Operating margin (OPBDITA/OI) in FY10 on account of lower average sales realisation; high level of indebtedness and gearing and poor coverage and leverage ratios of the company. Nevertheless; the ratings are supported by Arya group's established track record in the businesses of steel trading business and ship-breaking; significant revenue growth in FY10 and marginal improvement in the net profit margin (PAT/OI)[@] and net-working capital intensity(NWC/OI).

Company Profile

Arya Ship Breaking Company Private Limited (ASBCPL) was incorporated in 1983 by promoters of Arya Group and is engaged in trading of steel products and ship breaking activities. Arya group commenced its business with the establishment of a trading unit in 1950. The main promoters of the group are two brothers; Mr. Pawan kumar Arya and Mr. Ravindrakumar Arya. Over a period, the group expanded into various related businesses which encompass ship-breaking, steel trading, ship-broking, pelletization and beneficiation of iron-ore. The partnership firms of the group which are involved in the business of ship breaking and steel trading are Arya Ship Breaking Corporation {rated LBB (Stable)/A4 by ICRA} and Goyal Traders {rated LBB-(Stable)/A4 by ICRA}. Entities which are into the business of trading of steel items are M.P.Recycling Company Private Limited (MPR) {rated LBB-(Stable)/A4 by ICRA} and N.T.Recycling Company Private Limited {rated LBB-(Stable)/A4 by ICRA}. Argo Systems FZE {rated LBB-(Stable)/A4 by ICRA} which is a wholly owned subsidiary of MPR is into the business of ship-broking. Besides, there are two group companies involved in processing of iron-ore namely 'International Mineral Trading Company Private Limited' {rated LBB-(Stable)/A4 by ICRA} which is in the process of setting up a iron-ore beneficiation plant in Barbil (Orissa) and Arya Iron & Steel Company Private Limited {rated LBBB- (Stable)/A3 by ICRA} which is operating a pelletisation plant in Barbil (Orissa). While assigning the ratings to ASBCPL, ICRA has taken into account the linkages between the various group entities and the consolidated debt levels of the group.

Recent Results

As per the provisional figures of the financial year ended March 2010, the company reported Profit Before Tax (PBT) of Rs. 11.05 crore on an OI of Rs. 383.56 crore.

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⁵ For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

*Interchangeable between long-term and short-term scale

As a sub-limit of non-fund based limit

@Profit after tax (PAT) calculated after deducting applicable tax, surcharges and education cess from Profit before tax (PBT) as per the provisional figures

PRESS RELEASE

Disclaimer: ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website (www.icra.in) or contact any ICRA office for the latest information on ICRA Ratings outstanding.



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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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