



September 22, 2010

ICRA assigns the LBB- and A4 ratings to the bank facilities of Argo Systems FZE; assigns stable outlook

ICRA has assigned the LBB- (pronounced as L double B minus)[†] rating to the long-term loan limit of USD 6.80 million# of Argo Systems FZE (Argo). ICRA has assigned Stable outlook to the long term rating. ICRA has also assigned A4 (pronounced A four) rating to the foreign currency short-term loan limit of USD 24.80 million of Argo.

The assigned ratings factor in Argo's moderate size of operations; significantly high gearing and poor debt coverage indicators; high Net working capital intensity (NWC/OI) and susceptibility to cyclical volatility in steel industry. Nevertheless, the ratings are supported by established track record of Arya group in related business activities of ship-breaking and steel trading; experienced management; improvement in sales and profitability of the company resulting from the recoup in demand for steel in FY10.

Company Profile

Argo Systems FZE (Argo) was incorporated in Dubai in 2002 as a 100% subsidiary of M.P. Recycling Company Private Limited (MPR) which is into steel trading. 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 other entity which is into the business of trading of steel items is N.T. Recycling Company Private Limited (NTR) {rated LBB-(Stable)/A4 by ICRA} and MPR {rated LBB-(Stable)/A4 by ICRA}. 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}. 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 Argo, ICRA has taken into account the linkages between the various group entities and the consolidated debt levels of the group.

Argo is incorporated in Jebel Ali Free Zone in Dubai. The company is engaged in ship-trading business as cash-buyer and its operations include purchase of old vessels from agents or ship-owners and sale to Indian ship-breakers. Argo is managed by Mr. Varun Arya (Managing Director) and his family members and Mr. Hasmukh Mandavia an ex-banker who looks after the overseas operations of the company.

Recent Results

In the financial year ended March 2010, the company reported Profit After Tax (PAT) of USD 1.73 million on an OI of USD 33.81 million.

September 2010

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Foreign Currency Term Loan (FCTL) as a sub-limit of Foreign Currency Short-term Loan has been rated on long-term scale.

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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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