



September 22, 2010

ICRA reaffirms the LBB- and A4 ratings assigned to the enhanced bank facilities of Goyal Traders; assigns stable outlook

ICRA has re-affirmed the LBB- (pronounced L double B minus)[†] rating assigned to the long-term Rs. 30.0 crore¹ fund-based limit# of Goyal Traders. ICRA has assigned Stable outlook to the long term rating. ICRA has re-affirmed the A4 (pronounced A four) rating assigned to the short term non-fund based limit* of Goyal Traders; rated amount enhanced from Rs. 50.0 crore to Rs. 100.0 crore.

The ratings continue to be constrained by competitive nature of industry and susceptibility to adverse movements in commodity prices and exchange rates. The ratings also factor in the decline in the Operating margin (OPBDITA/OI) on account of lower average sales realisation and Net profit margin (PAT/OI) on account of higher interest cost in FY10; significantly high level of indebtedness and gearing and poor coverage and leverage ratios of the firm. Nevertheless; the ratings are supported by Arya group's established track record in the businesses of steel trading and ship-breaking; operational ease derived by the firm from ownership of a ship breaking yard at Alang (Gujarat) and significant growth in the firm's revenue in FY10.

Firm Profile

M/s Goyal Traders is a partnership firm formed in the year 1976 by the promoters of Arya group; Mr. Ravi Arya and Mrs. Poonam Arya as its partners. The firm is engaged in trading of steel products and ship breaking activities. Goyal Traders owns a ship breaking yard at Alang in Gujarat.

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/companies 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 Arya Ship Breaking Company Private Limited (ASBCPL) {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 Goyal Traders, 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 firm reported Profit After Tax (PAT) of Rs. 3.51 crore on an OI of Rs. 125.84 crore.

¹100 lakh = 1 crore = 10 million

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

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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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