



September 23, 2010

## **ICRA upgrades the ratings for the bank facilities of Arya Iron & Steel Company Private Limited; assigns stable outlook**

ICRA has upgraded the ratings of LBB (pronounced L double B) to LBBB- (pronounced L triple B minus)<sup>†</sup> assigned to the long term fund-based limit of Rs. 98.0 crore; term loan limit of Rs. 181.0 crore and non-fund based limit of Rs. 5.0 crore of Arya Iron & Steel Company Private Limited (AISCO). ICRA has assigned Stable outlook to the long term rating. ICRA has also upgraded the rating of A4 (pronounced A four) to A3 (pronounced A three) assigned to the short term non-fund based limit\* of Rs. 20.0 crore of AISCO<sup>1</sup>.

The rating revision factors in the stable operations of the AISCO's manufacturing plant since Q4FY10 and high operating margin (OPBDITA/OI) witnessed in FY10 backed by increase in sales price of pellets and proximity of the plant to raw material sources resulting in low transportation cost. The rating revision is further supported by the improvement in capital structure of the company resulting from the infusion of Rs. 40 crore by a new investor in FY09 and prepayment of the major portion of term loans by the company in the period from April 2010 to August 2010. However, the ratings are constrained by relatively less entry barriers in the business since low value-add processes are involved in the manufacture of iron-ore pellets; susceptibility to adverse movements in commodity prices; exposure of the company's liability to movements in the foreign currency and high Net working capital intensity (NWC/OI).

### **Company Profile**

Arya Iron & Steel Company Private Limited (AISCO) is a private limited company incorporated by Arya group which operates an iron-ore pelletisation plant of capacity 1.20 MTPA. The plant is located at Barbil in Orissa which commenced its commercial production in February 2008. AISCO is held by Palm View Overseas Investment Limited (PVOIL) (49.0%); promoters and promoter held HUFs (32.36%); M.P. Recycling Company Private Limited (MPR) (9.58%) and Arya Ship Breaking Company Private Limited (ASBCPL) (9.06%).

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 partnership firms/companies of the group which are involved in the business of ship breaking and steel trading are M/s Goyal Traders {rated LBB- (Stable)/A4 by ICRA}, ASBCPL {rated LBB+ (Stable)/A4+ by ICRA} and Arya Ship Breaking Corporation (ASBC) {rated LBB (Stable)/A4 by ICRA}. Entities which are into the business of trading of steel items are MPR {rated LBB- (Stable)/A4 by ICRA} and N.T. Recycling Company Private Limited (NTR) {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, the 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 AISCO. While assigning the ratings to AISCO, ICRA has taken into account the linkages between the various group entities and the consolidated debt levels of the group.

<sup>1</sup> For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

\* As a sub-limit of fund based limit and is interchangeable between long-term and short-term scale

## **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](http://www.icra.in)) or contact any ICRA office for the latest information on ICRA Ratings outstanding.



# ICRA Limited

An Associate of Moody's Investors Service

## Recent Results

As per the provisional figures of the financial year ended March 2010, the company reported Profit After Tax (PAT) of Rs. 23.50 crore on an OI of Rs. 212.40 crore.

**September 2010**

*For further details please contact:*

Analyst Contacts:

**Rohit Inamdar (Tel. No. +91-124-4545847)**

rohit.inamdar@icraindia.com

Relationship Contacts:

**L. Shivakumar (Tel. No. +91 22 3047 0005)**

shivakumar@icraindia.com

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](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

## 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](http://www.icra.in)) or contact any ICRA office for the latest information on ICRA Ratings outstanding.