



## Arya Iron & Steel Company Private Limited

Instrument	Amount In Rs. Crore	Rating Action As on January 2015
<b>Rated on Long-Term Scale</b>		
Fund based limit - Cash Credit	98.0	[ICRA]A- (Stable) reaffirmed
Non-fund based limit - Bank Guarantee	5.0	[ICRA]A- (Stable) reaffirmed
Term Loan	140.0 (P.Y. NIL)	[ICRA]A- (Stable) assigned
<b>Rated on Short-Term Scale</b>		
Non-fund based limit - Letter of Credit	(40.0)*	[ICRA]A2+ reaffirmed

P. Y. – Previous Year

\*Non-fund based limits are interchangeable between long-term and short-term scale

ICRA has reaffirmed the long term rating to the Rs. 98.0 crore<sup>1</sup> fund-based bank facilities and Rs. 5.0 crore non-fund based bank facilities of Arya Iron & Steel Company Private Limited (AISCO) at [ICRA]A- (pronounced ICRA A minus)<sup>2</sup>. ICRA has also assigned an [ICRA]A- rating to the Rs. 140.0 crore (Previous Year - NIL) term loans of AISCO. The outlook on the long term rating is “Stable”. ICRA has also reaffirmed the short term rating to the Rs. 40.0 crore non-fund based bank facilities (sub-limit of long term fund-based limits) of AISCO, at [ICRA]A2+ (pronounced ICRA A two plus).

### Rating Rationale

The ratings reaffirmation takes into consideration the comfortable capital structure and healthy coverage indicators of AISCO, despite some weakening and the company's healthy operating profitability and return on capital employed in spite of witnessing some moderation in 2013-14. The ratings also factor in the proposed capital expenditure towards setting up a High Grade Pure Iron Nuggets (HGPIN) and billet manufacturing facility, which is likely to diversify the company's revenue stream and augment the company's turnover in the medium term. ICRA has also taken into consideration the improvement in pellet prices in the current year as a result of iron ore shortage in Odisha post imposition of mining restriction in May 2014. ICRA also notes that the company's enjoys locational advantage due to the proximity of its manufacturing facility to iron ore mines, which ensures availability of raw material and result in low freight costs, which leads to healthy profitability of operations.

The ratings however are constrained by the significant drop in turnover and profitability in 2013-14 on account of reduced sales volumes and pellet realizations and the large dividend payout in 2013-14, which led to negative accruals. The ratings also factor in the exposure to project implementation risks typical of green-field projects as the company is setting up a new unit for manufacturing HGPIN. The project is to be largely debt funded in nature with a project gearing of 2.33 time, which is likely to strain the capital structure to some extent. ICRA also takes into consideration the fact that significant fresh pellet capacity is expected in the country in the medium to long term, thereby squeezing profitability in the pellet business, and the regulatory risks associated with iron ore mining in the country. Any unfavourable change in Government policy may impact prices and availability of iron ore, which is a key raw material for the company. The ratings is also constrained by the large, although reduced, corporate guarantee of Rs. 59.87 crore (reduced from Rs. 329.24 crore in 2012-13) extended to its group companies in 2013-14, which are non-operational at present.

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

<sup>2</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



### **Company Profile**

Arya Iron & Steel Company Private Limited (AISCO) is a private limited company incorporated by Arya group and operates an iron-ore pelletisation plant of capacity 1.20 mtpa. The plant which is located at Barbil in Odisha, 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 Mr. Pawan Arya and Mr. Ravi 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. During 2013-14, AISCO has also initiated a new project for setting up of a 100,000 metric tonne per annum (MTPA) High Grade Pure Iron Nuggets and 107,000 MTPA billets manufacturing at a facility located adjacent to its existing facility at Barbil, Odisha. While the HGPIN unit is scheduled to commence operations in January 2016, billets unit is scheduled to be commissioned 3-6 months post commencement of operations of HGPIN unit.

### **Recent Results**

In 2013-14, AISCO recorded a profit after tax (PAT) of Rs. 90.58 crore on an operating income of Rs 514.06 crore as against a PAT of Rs 188.57 crore on an operating income of Rs 748.58 crore in 2012-13. During the April-September 2014 period, AISCO achieved net sales of Rs. 313.14 crore.

**January 2015**

*For further details please contact:*

*Analyst Contacts:*

**Mr. Jayanta Roy**, (Tel. No. +91-33-22876617 / 22800008)  
jayanta@icraindia.com

*Relationship Contacts:*

**Mr. L. Shivakumar**, (Tel. No. +91-22-2433 1084)  
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91-124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500