



## Press Release

### Arunnachala Impex Private Limited (AIPL)

April 10, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- GECLS Loans	7.74 (Reduced from Rs. 8.94 crore)	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
Long Term Bank Facilities- Cash Credit	168 (Enhanced from Rs, 135 crore)	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
Short Term Bank Facilities- Letter of credit	5.00	IVR A3 (IVR A Three)	Reaffirmed	<a href="#">Simple</a>
Short Term Bank Facilities- Proposed Bank Guarantee	9.20	IVR A3 (IVR A Three)	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>189.94</b> <b>(One Hundred Eighty-Nine Crore and Ninety-Four Lakhs)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the ratings for bank facilities of Arunnachala Impex Private Limited (AIPL) continues to derive strength from experienced promoters and management, efficient working capital management, and modest financial risk. However, the rating strengths are constrained due to client concentration risk and presence in a highly fragmented and competitive agro-commodity trading industry.



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### **Key Rating Sensitivities:**

#### **Upward rating factor**

- Substantial and sustained growth in operating income and profitability.
- Improvement in working capital utilization.

#### **Downward rating factor**

- Deterioration in debt protection metrics.
- Elongation in the operating cycle impacting the liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters and management**

The company is promoted by Mr. M. Selvaraj & Mrs. S. Kalaivani. Mrs. S. Kalaivani is the managing director of the company. She has studied B. A. and has an experience in production and trading of spices and pulses. She takes care of the financial reporting, treasury, legal and secretarial issues of the company over the past three decades. Mr. M. Selvaraj is a B.A. graduate and director of the company. He is responsible for the day-to-day management of the company, particularly the production and procurement activities. He has vast experience in the field of Agro and food processing activities.

The day-to-day management is entrusted completely to a dedicated team of professionals that includes technically qualified and experience managers. Further the key persons are associated with the company for long time.

##### **Efficient working capital management**

The working capital requirements are mainly emanated from moderate debtor days. AIPL provides credit period of 45-60 days to its customers and gets 30 days of credit from its suppliers. Average inventory holding period is also quite minimal at 10-25 days. Thus, the overall working capital cycle has remained moderate. Moreover, since



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it majorly deals with Tamil Nadu Civil Supplies Corporation (TNCSC) which is a Tamil Nadu government organization, the debtors' realization risk is low.

### **Modest financial risk profile:**

The financial risk is moderate marked by moderate gearing levels and comfortable debt protection metrics. The net worth of the company stood at Rs.81.99 crores as on 31st March 2023 as against Rs.55.74 crores as on 31st March 2022. The company's debt limits mainly consist of working capital facilities. AIPL's total debt stood at Rs.118.32 crores as of March ended 2023.

### **Key Rating Weaknesses**

#### **Client Concentration risk**

AIPL is exposed to high client concentration risk with a single client contributing to a significant portion of the company's turnover. AIPL's prime customer is TNCSC - a company which is governed by Government of Tamil Nadu for providing food grains, commodities for the people under Public Distribution System. AIPL is one of the major suppliers to government of Tamil Nadu and its established relationship with the company leads to continuous business.

#### **Presence in a highly fragmented and competitive Agro-commodity trading industry**

The Agro-commodity trading business is highly fragmented and characterized by the presence of a large number of organized and unorganized players, which leads to intense competition. The industry also faces constraints with high cost of raw materials, low value addition along with low product differentiation, thus leading to low pricing power.

**Analytical Approach:** Standalone Approach



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### Applicable Criteria:

[Criteria on Default Recognition](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for service sector entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity –Adequate**

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its minimal scheduled debt repayment obligation during FY24-26. The company earned a Gross Cash Accruals (GCA) of Rs.27.33 crore in FY23. Its working capital limits remained moderate at ~87.02% during the past twelve months ended February 2024.

### **About the company:**

Established in 2005, Arunnachala Impex Private Limited (AIPL) was founded by Mr. M. Selvaraj and Mrs. S. Kalaivani. The Company is engaged mainly in trading of agricultural products. AIPL deals in Agricultural commodities and Agro Products. The Company receives orders from Tamil Nadu Government on tender basis to supply food grains in Public Distribution System Scheme (PDS). The company also supplies other local traders in the market.

### Financials (Standalone):

(Rs crore)

For the year ended/As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1357.83	859.63
EBITDA	26.06	15.71
PAT	12.52	26.26
Total Debt	168.83	118.32



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For the year ended/As on*	31-03-2022	31-03-2023
	Audited	Audited
Tangible Net Worth (including quasi equity)	55.74	81.99
<b>Ratios</b>		
EBITDA Margin (%)	1.92	1.83
PAT Margin (%)	0.92	2.97
Overall Gearing Ratio including Quasi Equity (x)	3.03x	1.44x

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Brickwork Ratings vide its press release dated March 19, 2024, classified the entity in 'Issuer Not Cooperating' category due to lack of adequate information.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (February 07, 2023)	Date(s) & Rating(s) assigned in 2021-22 (September 30, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 01, 2020)
1.	Cash Credit	Long term	168	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	Term Loan	Long term	7.74	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
3.	Letter of credit	Short Term	5.00	IVR A3	IVR A3	-	-
4.	Proposed Bank Guarantee	Short Term	9.20	IVR A3	-	-	-



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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	Revolving	168.00	IVR BBB-/ Stable
Term Loan	-	-	December 2026	7.74	IVR BBB-/ Stable
Letter of Credit	-	-	-	5.00	IVR A3
Proposed Bank Guarantee	-	-	-	9.20	IVR A3

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-arunnachala-apr24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)