

ARS Energy Private Limited

May 11, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short-term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	-		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

CARE has reaffirmed and simultaneously withdrawn the outstanding ratings of “CARE BB+; Stable; ISSUER NOT COOPERATING*/CARE A4+; ISSUER NOT COOPERATING*” assigned to the bank facilities of ARS Energy Private Limited with immediate effect. The above action has been taken at the request of ARS Energy Private Limited and ‘No Objection Certificate’ received from the banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

At the time of last rating on July 01, 2020, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Strengths

Experience of the promoters

ARS was promoted by Mr. Ashwani Kumar Bhatia in 1990. The promoter has over three decades of experience in steel industry. Prior to that, Mr. Ashwani Kumar Bhatia was into steel trading business. The day-to-day operations are managed by the promoter who is supported by other qualified personnel. ARS Energy operates under group captive mechanism.

Moderation in income and profitability during FY20

During FY20, total income declined to Rs.238 crore from Rs.252 crore in FY19. PAT declined to Rs.2.18 crore from Rs.3.33 crore in FY19. Decline in income and PAT was due to reduction the PLF during FY20. Average PLF for FY20 stood at 76.04% (FY19: 85.56%). PBILDT margin decreased to 20.93% in FY20 from 21.56% in FY19.

Key Rating Weaknesses

Absence of long term fuel supply agreement

The annual coal requirement of the plant is around 4,80,000 Metric Tonnes (MT), of which the company imports nearly 80-85%. The company does not have long term fuel supply agreement with the suppliers and the coal price is linked to Indonesian Coal Index (ICI Index). Any adverse moments in the coal prices and currency rate will impact the profitability of the company. Further, the company has no flexibility to pass on the raw material price fluctuations and forex risk to its clients.

Medium term PPAs

Typically, the company enter into PPAs for the period of two to three years only, after that the company has to renew or revise it from the scratch. Further, the company sells about 1/4th of the power generated to its group entity ARS Steel and Alloy International Private Limited.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; based on best available information

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Thermal Power Producers](#)

[Financial ratios - Non-Financial Sector](#)

About the company

ARS Energy Private Limited (formerly known as ARS Metals Private Ltd) (ARS Energy) was promoted by Mr. Ashwani Kumar Bhatia in 1990. Subsequent to the demerger of the steel and power division effective from October 2013, the name of the company ARS Metals Private Ltd was changed to ARS Energy Private Limited. ARS Energy has a 60 MW coal-fired thermal power plant located in Gummidipoondi (Chennai) which started its commercial operations from September 2013. The power generated is sold to private parties under the group captive system. ARS Steel and Alloy International Private Limited (Demerged entity) is primarily engaged in manufacture of ingots, TMT bars and Billets at the manufacturing unit located at Gummidipondi (Chennai). It has ingots/billets making capacity of 45,000 TPA and TMT bars capacity of 1,28,000 TPA.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	252	238
PBILDT	54	50
PAT	3	2
Overall Gearing (times)	1.50	1.31
Interest coverage (times)	2.04	1.91

A: Audited;

Status of non-cooperation with previous CRA:

ICRA had suspended its rating vide press release dated September 2016 on account of its inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1 Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

Annexure-2 Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (01-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (09-Jan-20)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (17-Oct-18)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (01-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (09-Jan-20)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (17-Oct-18)
3.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (01-Jul-20)	1)CARE A3; ISSUER NOT COOPERATING* (09-Jan-20)	1)CARE A2; ISSUER NOT COOPERATING* (17-Oct-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Mr. Sudhakar P
Contact no.: +91-44-2850 1000
Email ID: p.sudhakar@careratings.com

Mr. Jaganathan A
Contact no.: +91-44-2850 1000
Email ID: jaganathan.a@careratings.com

Relationship Contact

Mr. Pradeep Kumar
Contact no.: +91-44-2850 1000
Email ID: pradeep.kumar@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.