

Agarwal Industrial Corporation Limited (Revised)

November 16, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BBB; Stable / CARE A3 (Triple B; Outlook: Stable / A Three) and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB; Stable (Triple B; Outlook: Stable) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB; Stable/CARE A3' [Triple B; Outlook: Stable/ A Three] assigned to the bank facilities of Agarwal Industrial Corporation Limited (AICL) with immediate effect. The above action has been taken at the request of AICL and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE

Detailed description of the key rating drivers

Key Rating Strengths

Long standing experience of promoters in bitumen business

AICL was established in the year 1995 jointly by its promoters – Mr. Jaiprakash Agarwal, Mr. Lalit Agarwal, Mr. Ramchandra Agarwal and Mr. Mahendra Agarwal. The promoters of the company have around three decades of experience in the manufacturing and trading bitumen in domestic market. Transportation is one of the key aspects of bitumen distribution, thus, AICL also ventured into the transportation business, so as to be the integrated solution provider for its customers. Further, the promoters are supported by middle and lower level of management in their day-to-day operations.

Long standing relationship with customers both in bitumen and transportation segment

Established and long-standing relationship with its clientele in infrastructure, industrial and transportation segment has helped AICL garner repeat orders from existing clientele and acquire new clientele in the aforesaid mentioned segments. Furthermore, AICL undertakes transportation activity mainly through its own fleets catering to reputed corporates like Bharat Petroleum Corporation Limited, Hindustan Petroleum Corporation Limited, Indian Oil Corporation Limited, etc., majority of its fleet is on contract with reputed companies.

Steady growth in TOI for FY21 along with improved profitability margins

During FY21, AICL reported growth of 14.67% in Total Operating income largely driven by corresponding sales volume growth in Petrochemical Business Segment. The income under the transportation segment witnessed the degrowth during FY21, however, same was negated by the incremental income generated under the shipping and charting business from Rs. 34 crores in FY20 to Rs.69.50 crore in FY21. PBILDT and PAT margins also improved from 6.20% and 3.24% in FY20 to 8.06% and 4.48% in FY21 respectively. During Q1FY22, AICL reported 176% growth in TOI as compared to TOI in Q1FY21.

Majority of AICLs income is contributed from bitumen segment

Large part (around 88%) of income for AICL is generated from petrochemical particularly bitumen and bituminous products. AICL has varied offering into bitumen segment, starting from commodity grade to relatively value-added products which finds application in various industrial segments. Apart from petrochemical it has presence in transportation of LPG, power generation through wind mill and ship operating and chartering business.

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

Under transportation segment, AICL owns a fleet size of 329 vehicles, wherein it undertakes transportation of LPG and bituminous product from the source location to the industrial user or to the bottling plants. LPG is mainly sourced from domestic refineries and via bulk imports. Apart from deploying its owned fleets, AICL also hires additional fleets on long-term contract depending on the contract terms. AICL has also forayed into generation of power through wind mills located at Rajasthan and Maharashtra sold to the state power distribution company. The segment wise income breakup is as below:

Segmental Income & Proportion (%)	FY19		FY20		FY21	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Petrochemicals*	468.83	88%	699.59	89%	790.16	87%
Transportation	61.13	12%	52.37	7%	44.17	5%
Ship Operating & Chartering Business	-	-	34.26	4%	69.50	8%
Wind Mill	1.64	0%	1.22	0%	0.99	0%
Net Sales (Total)	531.60	100%	787.44	100%	904.82	100%

*includes Bitumen and allied products

Key Rating Weaknesses

Exposure to forex risk and susceptibility to volatility in raw material prices

Majority of the procurement done by AICL are import based from Dubai. The company do not undergo any hedging strategies to mitigate its forex risk. Majority of the sales are order backed while certain inventories are maintained in order to cater to urgent demand from its customers. Further, given the fact that revision in the prices of bitumen by the refineries in India are done after 15 days of international price movement, the inventory of around 15-20 days is maintained. Although, AICL has not booked any foreign exchange loss during last three financial year, the non-existence of formal currency and commodity hedging policy is considered as one of the key risks for entities engaged in trading nature of business activities.

As per management, the products are imported based upon the certain level of demand in domestic market, and AICL generates margin out of price arbitrage in domestic market against the landed price post bulk discounts.

Prospects dependent on infrastructure activity and competition from players

The infrastructure industry, mainly road sector, are major consumers of the bitumen and related products in the industry. The growth in bitumen industry is mainly dependent on infrastructure activity. Increasing infrastructure activity, particularly in road sector, had led to higher demand of bitumen products in recent years. The growth witnessed in sales volume of AICL is also attributable to the increasing infrastructure activity supported by governments' focus on building roads and infrastructure.

Further, the company faces intense competition from existing players in the industry. The bitumen industry has many small and mid-size players.

Analytical approach: Consolidated

CARE has taken a consolidated approach in analysing the financials of AICL along with its wholly owned subsidiaries namely Bituminex Cochin Private Limited and AICL Overseas FZ-LLC. CARE has taken consolidated approach owing to high degree of financial, managerial and business linkages between the entities.

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the Company

Incorporated in the year 1995, Agarwal Industrial Corporation Limited (AICL) is involved in the business of manufacturing and trading of bitumen and bituminous products and transportation of specialized bulk bitumen and LPG (Liquefied Petroleum Gas) which together contributes around 95% of AICL's total operating income. It is also involved in generation of power through wind mills situated in Jaisalmer (Rajasthan) and Dhulia (Maharashtra). AICL has bulk storage facilities at Karwar, Haldia, Kakinada and Dighi and an authorized workshop of Ashok Leyland at Shahpur, Maharashtra.

AICL has two wholly owned subsidiary namely Bituminex Cochin Private Limited (BCPL) and AICL Overseas FZ-LLC (AOFL). BCPL was acquired by AICL in 2010-11 and is also engaged in the manufacturing and trading of bitumen and bituminous products. It caters to the southern part of India.

AOFL is an overseas subsidiary of AICL based out in UAE. AOFL is engaged in operating and chartering of ships/vessels. The company acquired its first vessel "Bitumen Princess" which commenced its operations since May, 2019. Currently, AOFL owns three vessels with plans of increase vessels in 2021

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	Q1FY22
Total operating income	789.10	904.82	409.23
PBILDT	48.91	72.91	25.50
PAT	25.55	40.53	15.07
Overall gearing (times)	0.59	0.73	
Interest coverage (times)	5.52	7.47	8.15

A: Audited

Status of non-cooperation with previous CRA: N/A

Any other information: N/A

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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ 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-Cash Credit	LT	-	-	-	1)CARE BBB; Stable	1)CARE BBB; Stable	-

						(24-Aug-20)	(11-Jun-19)	
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	-	-	-	1)CARE BBB; Stable / CARE A3 (24-Aug-20)	1)CARE BBB; Stable / CARE A3 (11-Jun-19)	-

* Long Term / Short Term

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

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

Name: Mradul Mishra
 Contact no.: +91-22-6754 3573
 Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Soumya Dasgupta
 Contact no.: +91 9004691428
 Email ID: soumya.dasgupta@careratings.com

Relationship Contact

Name: Saikat Roy
 Contact no.: +91-98209 98779
 Email ID: saikat.roy@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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**