

Arfin India Limited (Revised)

October 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Stable / CARE A3 and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB-; Stable/CARE A3' assigned to the bank facilities of Arfin India Limited (AIL) with immediate effect. This has been done at the request of AIL and 'No Objection Certificates' from the banks for facilities rated by CARE Ratings.

Prior to its withdrawal, the ratings continued to derive strength from AIL's experienced promoters in the manufacturing of non-ferrous metals, the established relationship with reputed clientele as well as the moderately-diversified product portfolio, moderate scale of operations and its presence as an organised player in the fragmented aluminium recycling industry. However, the ratings continue to remain constrained by its moderate profitability with vulnerability to the volatile raw material prices and foreign exchange rates, the moderate capital structure as well as debt coverage indicators, the high end-user industry concentration and its presence in a fragmented and competitive aluminium industry. Ratings also considered infusion of equity of Rs.52.50 crore by JFE Shoji India Pvt. Ltd. (a group company of JFE Holdings-Japan) for a strategic partnership with AIL for the global distribution of Aluminium Products.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') view that AIL is likely to maintain steady growth in its operating performance with benefits derived from the extensive experience of its promoters along with established relationship with its reputed clientele.

Detailed description of key rating drivers:

Key strengths

Experienced promoters in the metal industry

AIL's promoter, Mahendra R Shah (Chairman & Executive Director), has more than two decades of experience in the manufacturing of ferrous and nonferrous metals. He currently looks after the entire operations of the company and is assisted by his son, Jatin M Shah (Managing Director), along with a qualified and experienced second-tier management personnel.

Moderately-diversified product portfolio to cater to the requirements of multiple sectors

AIL has a presence in multiple product segments of the aluminium industry and has, over the years, gradually diversified its product portfolio. The top three products of the company, ie, aluminium alloy ingots, aluminium wire rod, and aluminium deox contributed 24%, 23%, and 21%, respectively, to AIL's gross sales in FY23 (25%, 18%, and 15% in FY22).

With a moderately diversified product portfolio, AIL caters to the demand of some of the leading players in the steel, automobile, power and foundry industries. However, customer concentration continued to remain high, with the top five clients constituting around 54% of its total operating income (TOI) in FY23 (58% in FY22). The company mainly operates in the domestic market with a pan-India presence and it also exports its products to Japan, the Middle East and African countries (exports formed around 18% of the company's gross sales in FY24 (25% of gross sales in FY23).

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Moderate scale of operations

AIL is an organised player in the fragmented aluminium industry and has a moderate scale of operations. Its revenue, however, remains vulnerable to the volatility in demand from key end-user industries along with the volatile aluminium prices, which are linked to international indices. During FY24, AIL's TOI stood moderate at ₹536.43 crore (P.Y: ₹546.24 crore). In Q1FY25, company has booked sales of Rs.133.15 crore.

Key weaknesses**Moderate profitability, susceptible to raw material price volatility and foreign exchange rate fluctuations**

With limited value addition, AIL's operating profit (PBILDT) margin continued to remain moderate at 5.87% in FY24 (P.Y:5.23%). The profit-after-tax (PAT) margin also stood limited at 1.53% in FY24 (P.Y: 1.89%). Consequently, the company registered moderate gross cash accruals (GCA) of ₹11.47 crore during FY24. In Q1FY25, company has registered PBILDT margin and PAT margin of 7.01% & 2.26% respectively.

The main raw material for AIL is aluminium scrap, which it imports to some extent (from Japan as well as European countries), while the balance is sourced domestically. Imports formed around 50% of AIL's total raw material consumption, whereas its sales are mainly in the domestic market, with exports forming 18% of its gross sales during FY24. While this provides natural hedge to some extent, it exposes AIL's profitability to foreign exchange rate fluctuations.

Also, the raw material prices are linked to international commodity indices, which exposes it to the inherent volatility associated with aluminium prices, while its sales prices are dictated largely by the demand-supply dynamics in the domestic market for its various products. While the back-to-back sourcing of raw materials along with quarterly price revisions for the supply to the steel industry mitigates the price volatility to some extent, overall, the company remains exposed to any adverse movement in input prices, which it may not be able to pass on to its customers.

Moderate capital structure and debt coverage indicators

AIL's capital structure remained moderate, as indicated by an overall gearing of 1.39x as on March 31, 2024 (1.36x as on March 31, 2023). AIL's debt coverage indicators also remained moderate in FY24 with a PBILDT interest coverage of 1.71x (PY: 1.99x), TD/GCA of 11.68 years (PY: 8.22 years) and TD/PBILDT of 4.26x (PY: 4.18x). In Q1FY25, AIL has received equity infusion of Rs.52.50 crore from JFE Shoji India Pvt. Ltd. (a group company of JFE Holdings-Japan) via preferential allotment on private placement basis for 5.81% stake in AIL. This strategic collaboration will help AIL to expand the reach to other customers and markets.

Fragmented industry characterised by intense competition, along with high end-user industry concentration

The spectrum of the aluminium industry in which the company operates is highly fragmented and competitive, marked by the presence of numerous small and unorganised players in India. Hence, the players in the industry have limited pricing power and are exposed to competitive pressure on their profitability. This apart, its products, largely being of intermediary usage, are subject to the risks associated with the industry's cyclical nature and price volatility. Furthermore, despite a gradual diversification in product portfolio and end-user industry, AIL's dependence on the steel sector remained high, which makes it vulnerable to any major downturns in the industry. The steel sector contributed to around 63% of AIL's TOI during FY23, followed by automobile at around 24%, and the balance from power and other industries.

Liquidity: Adequate

AIL's liquidity stood adequate, marked by adequacy in cash accruals vis-à-vis repayments along with a moderate operating cycle. AIL has outstanding debtors for more than 120 days of only Rs.1.04 crore as on March 31, 2024 (~2% of total o/s receivables). AIL has scheduled principal repayments in the range of ₹5-9.50 crore over the next three years ended FY27, which are expected to be met from its envisaged cash accruals generation.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

- [Definition of Default](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Manufacturing Companies](#)
- [Non Ferrous Metal](#)
- [Financial Ratios – Non financial Sector](#)
- [Withdrawal Policy](#)
- [Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Non - Ferrous Metals	Aluminium

Incorporated in 1992, Gujarat based AIL is promoted by Mr. Mahendra R. Shah. The company is engaged in manufacturing of aluminium products such as aluminium wire rod, aluminium deox, cored wire, aluminium alloy ingots, conductors & cables from aluminium scrap. AIL's manufacturing facility is located at Chhatral near Gandhinagar in Gujarat with installed capacity of 71,000 metric tonnes per annum (MTPA) as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	546.24	536.43	133.15
PBILDT	28.57	31.48	9.34
PAT	10.32	8.22	3.01
Overall gearing (times)	1.28	1.25	NA
Interest coverage (times)	1.99	1.71	2.18

A: Audited UA: Unaudited; NA: Not Available, Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working capital Term Loan		-	-	November, 2027	0.00	Withdrawn
Fund-based-LT/ST		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-LT/ST	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (21-Oct-24)	1)CARE BBB-; Stable / CARE A3 (04-Aug-23)	1)CARE BBB-; Stable / CARE A3 (12-Aug-22) 2)CARE BBB-; Stable / CARE A3 (04-Jul-22)	1)CARE BBB-; Stable / CARE A3 (29-Jun-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (21-Oct-24)	1)CARE BBB-; Stable / CARE A3 (04-Aug-23)	1)CARE BBB-; Stable / CARE A3 (12-Aug-22) 2)CARE BBB-; Stable / CARE A3 (04-Jul-22)	1)CARE BBB-; Stable / CARE A3 (29-Jun-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (12-Aug-22) 2)CARE BBB-; Stable (04-Jul-22)	1)CARE BBB-; Stable (29-Jun-21)
4	Fund-based - LT-Working capital Term Loan	LT	-	-	1)CARE BBB-; Stable (21-Oct-24)	1)CARE BBB-; Stable (04-Aug-23)	1)CARE BBB-; Stable (12-Aug-22) 2)CARE BBB-; Stable (04-Jul-22)	1)CARE BBB-; Stable (29-Jun-21)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working capital Term Loan	Simple
2	Fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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