

ARS Energy Private Limited
July 01, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	229.65	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer Not cooperating; Revised from CARE BBB; Stable; (Triple B; Outlook: Stable) on the basis of best available information
Short term Bank Facilities	76.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)	Issuer Not cooperating; Revised from CARE A3 (A Three) on the basis of best available information
Total	305.65 (Rupees Three hundred and five crore and sixty five lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 09, 2020, maintained the ratings of ARS Energy Private Limited (ARS) under the 'issuer non-cooperating' category as ARS had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. ARS continues to be non-cooperative despite requests for submission of information through, phone calls and email dated June 24, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

CARE has reviewed the ratings in line with SEBI guidelines on strengthening of rating process in respect of INC ratings. The revision in rating takes into account the absence of adequate information required for reviewing the ratings and continuation of the rating in the non-cooperation status for more than 6 months.

Detailed description of the key rating drivers

At the time of last rating on January 09, 2020 the following were the rating strengths and weaknesses

Key Rating Strengths**Experience of the promoters**

ARS is promoted by Mr. Ashwani Kumar Bhatia, in 1990. The promoter has around 36 years of experience in this 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. The day-to-day operation of the power plant is also monitored by Shree Sai Pumps & Energy Private Limited. Also, the company has built in-house team to manage its operations.

Relatively stable income and profitability during FY19

During FY19, total income improved marginally to Rs.252 crore from Rs.243 crore in FY18. PBILDT margin during FY19 stood at 21.56% as against 21.20% in FY18.

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 SRC imports 80%-85% of total coal required. The coal price is linked to Indonesian Coal Index (ICI Index). The company does not have long term fuel supply agreement with the suppliers. 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.

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

*Issuer did not cooperate; Based on best available information

Medium term PPAs

SRC has PPAs agreements 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'.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[CARE's Methodology for manufacturing companies](#)

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

[Rating methodology for private power producers](#)

[Criteria for Short term instruments](#)

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 (De-merged entity) is primarily engaged in manufacture of ingots, TMT bars and Billets at the manufacturing unit located at Gummidippondi (Chennai). It has ingots/billets making capacity of 45,000 TPA and TMT bars capacity of 1,28,000 TPA.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	243	252
PBILDT	51	54
PAT	1	3
Overall gearing (times)	1.41	1.50
Interest coverage (times)	2.00	2.04

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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

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-Term Loan	-	-	-	September, 2031	204.65	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	-	25.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	-	76.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	204.65	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (09-Jan-20)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (17-Oct-18)	1)CARE A-; Stable (04-Oct-17)
2.	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (09-Jan-20)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (17-Oct-18)	1)CARE A-; Stable (04-Oct-17)
3.	Non-fund-based - ST-BG/LC	ST	76.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (09-Jan-20)	1)CARE A2; ISSUER NOT COOPERATING* (17-Oct-18)	1)CARE A2+ (04-Oct-17)

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

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name –Mr. Sudhakar P

Group Head Contact no.- 044 – 2850 1000

Group Head Email ID- p.sudhakar@careratings.com

Relationship Contact

Name: Mr. Pradeep Kumar V

Contact no. : 044 – 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.

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