

Rating Rationale

A. G. Enterprise

4th Dec 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of A.G. Enterprise. ('AGE' or 'The firm')

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
Fund Based	10.00	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook: Stable)
Non Fund Based	81.80	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)
Total	91.80	Rupees Ninety One Crores and Eighty Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings.

Complete details of Bank facilities are provided in Annexure-I

Rationale/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results of FY16 to FY18, financial projections of FY19 & FY20, publicly available information and clarifications/information provided by the partners.

The rating draws strength from an adequate experience of the partners in the line of activity with an established track record in the business, comfortable gearing and liquidity position. The ratings are, however, constrained by stressed ISCR, the inherent risk associated with the partnership constitution. The rating also takes into account that the firm is exposed to volatile steel prices and cyclical nature of the ship breaking industry. Margins vulnerable to forex fluctuations to the extent of unhedged positions. Units situated in Alang – Sosiya belt extensively uses "Beaching Method" to recycle the ship. This method is not environment-friendly, hence the firm is exposed to international regulations and government regulations. The firm faces intense competition coming from international and local players.

The ability of the firm to achieve the projections, to improve the scale of operation, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.

Key Rating Drivers:

Credit Strengths:

- Adequate experience of the partners in the line of activity.
- The gearing is at a comfortable level in FY18.
- Liquidity position is comfortable in FY18.
- Located in Alang – Sosiya Ship Breaking yard, which has more than 90% share in the Ship Breaking Industry.

Credit risks:

- ISCR is stressed in FY18.
- Inherent risk associated with the partnership constitution.
- The firm is exposed to volatile steel prices and cyclical nature of ship breaking industry.
- Margins vulnerable to forex fluctuations to the extent of unhedged positions.
- Companies situated in Alang – Sosiya belt extensively uses "Beaching Method" to recycle the ship. This method is not environment-friendly, hence the company is exposed to international regulations and government

regulations.

- The firm faces intense competition coming from international and local players.

Liquidity position:

Liquidity position is comfortable in FY18. The company has adequate sanctioned credit facility to manage the operations.

Analytical Approach:

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **A. G. Enterprise's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm:

A. G. Enterprise was established by Mr. Ashwin Kukadia as a proprietorship firm with its registered office in Bhavnagar. During FY17, the firm was reconstituted as a partnership firm and Mr. Jayant Patel was admitted to the partnership. The firm is managed by Mr. Jayant Patel. He is involved in the ship breaking business from last many years and has required experience to manage the business. The firm is engaged in the business of ship-breaking activity through allotted plot at Alang Shipyard by Gujarat Maritime Board (GMB).

Firm Financial Performance:

The firm has recorded a TOI of Rs. 11.28 Crs in FY18 against no ship breaking activity in FY17. EBITDA and PAT stood at Rs. 0.20 Crs and Rs. 1.72 Crs in FY18.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	10.00	BWR BB (Outlook: Stable)	--	--	--
2	Non Fund Based	Short Term	81.80	BWR A4+	--	--	--
Total: Rs. 91.80 Crs (Rupees Ninety One Crores and Eighty Lakhs Only)							

Status of non-cooperation with Previous CRA: NA

Any other information: NA

Key Financial Indicators

Key Financial Figures			
Particulars	Unit	FY17 (Audited)	FY18 (Audited)
Operating Income	Rs. Crores	0.00	11.28
EBITDA	Rs. Crores	-0.39	0.20
PAT	Rs. Crores	0.39	1.72
TNW	Rs. Crores	25.93	27.64

Total Debt	Rs. Crores	0.00	0.23
Total Debt : Equity	Times	0.00	0.01
Current Ratio	Times	10.88	30.63

A. G. Enterprise

Annexure - I

Bank Facilities

Facilities	Tenure	Amount (₹ Crores)
Cash Credit	Long Term	10.00
Letter of Credit	Short Term	80.00
Credit Exposure Limit	Short Term	1.80
Total		91.80

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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