

AGGARWAL STEEL INDUSTRIES

Brickwork Ratings reaffirmed long term & short term ratings for the bank loan Facilities of ₹ 8.00 Crores of Aggarwal Steel Industries (ASI).

Particulars :

Facility/ Instrument**	Previous Amount(₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (May, 2019)	Present Rating
<u>Fund based</u> OCC/ODBD	8.00*	6.00	Long Term	BWR B+ Stable (Reaffirmed)	BWR B+ Stable Reaffirmed
<u>Non Fund Based</u> Bank Guarantee I.L.C	1.00 1.00	1.00 1.00	Short Term	BWR A4 Reaffirmed	BWR A4 Reaffirmed
Total	10.00	8.00	INR Eight Crores Only		

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

* In Previous Amount Rs 2.00 crores is proposed OCC/ODBD

** Details of Bank facilities/is provided in Annexure-I

RATING ACTION/OUTLOOK

BWR has reaffirmed the long term rating of BWR B+ Stable for Long term bank facilities and BWR A4 for short term bank facilities of Aggarwal Steel Industries.

The ratings take into account the long term experience of promoters, and average financial risk profile. However the rating is constrained by dependency on tender based operations and inherent risk associated with the constitution of the firm.

BWR believes that the business risk profile of SDEIL will be maintained over the medium term. The rating outlook may be revised to positive if there is a significant improvement in firm revenues and their net profits. The rating outlook may be revised to 'Negative' if there is any deterioration in the revenues of the firm, and financial risk profile of the firm.



KEY RATING DRIVERS

Credit Strengths:

1. **Extensive Experience of Promoters in transformer business:** The partners of the firm have rich experience of more than 15 years in transformer business that helps them to maintain a better relationship with their customers and suppliers as well.
2. **Moderate Financial Risk Profile :** The firm has moderate financial risk profile with low gearing level of 2.28 Times (TD/TNW), along with net profitability margins of 3.24% , Operating Profitability Margins of 7.25% and current ratio of 2.39 times in FY19 (Audited).

Credit Risks:

1. **Dependency on tender based operations :** The firm 100% revenues depend on success in winning government tenders in a competitive bidding process from PSPCL (Punjab State Power Corporation Limited) due to which the margins and revenues of the firm remain restricted.
2. **Inherent Risk Associated with the constitution of Firm :** Constitution of the entity being a partnership concern, it is exposed to the risk of withdrawal of funds in case of personal exigencies.

Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone approach for the Company. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, Improvement in revenues, profitability Margins and debt service indicators will be the key rating sensitivities.

Positive : The rating will be upgraded if the firm is able to make significant improvement in their revenues, profitability margins, and able to maintain their gearing level.



Negative : The rating will be downgraded if there is any deterioration in the financial Risk Profile of the firm including revenue.

LIQUIDITY POSITION : Stretched

The firm has cash & bank balances of Rs 0.01 Cr in FY19 (Audited). Current ratio was 2.39 times in FY19 (Audited). Average working capital utilization for the last Six months period is 100% of limits. The firm has long term borrowings of Rs 10.47 crores as at FY19 which comprises unsecured loans from related parties of Rs 10.47 crores in FY19 (Audited). The company ISCR at 1.11times and Debt Service Coverage Ratio of 0.91 times as on March 31, 2019 (Audited). The firm has elongated conversion cycle of 176 days due to high days receivables of 165 days and Days Inventory of 46 days in FY19 (Audited).

About the Firm

Aggarwal Steel Industries was incorporated in April ,2009 is an ISO 9001:2000 certified firm is engaged in manufacturing of Transformers, its parts and tank. The firm is having its manufacturing unit at New Focal Point Dabwali Road Bathinda and has an installed capacity of 2500 transformers in a month of 10 KVA, 1600 transformers in a month of 16 KVA and varies as per the size of transformers..The firm is currently managed by Mr Chanchal Kumar, Mr Satish Kumar and Mrs Parveen Lata. After the retirement of Mr Ved Parkash on 01.04.2019, Mr Chanchal Kumar and Mrs Parveen Lata joined the partnership.

Key Financial Indicators

Key Parameters	Units	FY19 (Audited)	FY18 (Audited)
Result Type			
Operating Revenue	₹ Cr	25.87	19.38
EBITDA	₹ Cr	1.88	1.38
PAT	₹ Cr	0.84	0.69
Tangible Net worth	₹ Cr	7.21	5.61
TD:TNW	Times	2.28	2.47
Current Ratio	Times	2.39	2.21

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : Crisil B Stable/A4 as issuer not cooperating on 13.11.2019.

Rating History for the last three years (Including Withdrawal and Suspended)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2019	2018	2017
1.	Fund Based OCC/OBBD	Long Term	6.00	BWR B+ Stable Reaffirmed	BWR B+ Stable Reaffirmed	NA	BWR B+ Stable Reaffirmed
2.	Non Fund Based Bank Guarantee I.L.C	Short term	1.00 1.00	BWR A4 Reaffirmed	BWR A4 Reaffirmed	NA	BWR A4 Reaffirmed
Total			8.00	Eight Crores ₹ Only			

- BWR had initially rated Aggarwal Steel Industries on 03.10.2016 amounting to Rs 8.00 crores (Fund Based and Non Fund Based) assigned the rating of BWR B+ Stable and BWR A4.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Manufacturing Companies](#)

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AGGARWAL STEEL INDUSTRIES
ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term/Short Term (₹ Cr)	Total (₹ Cr)
1	Canara Bank	<u>Fund Based</u> OCC/OBBD	6.00	6.00
2.	Canara Bank	<u>Non Fund Based</u> Bank Guarantee ILC	1.00 1.00	2.00
TOTAL : INR Eight Crores Only				8.00



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