



Rating Rationale

AGR Steel Strips Private Limited

31st March 2018

Brickwork Ratings downgrades long term rating to BWR BB – (Stable) and reaffirms short term rating at BWR A4 for the bank loan facilities aggregating Rs. 120Crores of AGR Steel Strips Private Limited (ASSPL or ‘the Company’).

Particulars

| Facility | Amount (Rs. Cr) | | Tenure | Rating* | |
|-----------------------|-----------------|-----------------------|---|---|--|
| | Previous Amt. | Present Amt. (Rs. Cr) | | Previous Jan 2017 | Present |
| Fund Based | 75.00 | 75.00 | Long Term | BWR BB (Pronounced as BWR Double B) (Stable Outlook) | BWR BB – (Pronounced as BWR Double B Minus) (Stable Outlook) (Downgrade) |
| Non Fund Based | 45.00 | 45.00 | Short Term | BWR A4 (Pronounced as BWR A Four) | BWR A4 (Pronounced as BWR A Four) (Reaffirmed) |
| Total | 120.00 | 120.00 | INR One Hundred and Twenty Crores Only | | |

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

Long term Rating downgraded to BWR BB – (Stable Outlook). Short term Rating reaffirmed at BWR A4.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company’s audited financial results upto FY17, publicly available information and clarifications provided by the Company.

The revision in the rating takes into account the continuous declining financial performance of the Company reflected at declining turnover with cash losses reported during FY17, short term liquidity problems which continue to persist; resulting in bank loan limits being fully utilized besides high dependence on its group companies for business, coupled with poor financial record of Asian Colour Coated Ispat Limited (flagship company of the Group), for which ASSPL has given corporate guarantee.

However, the Company expects improvement in its production and turnover levels in the current financial year. It expects to cut down its losses for FY18 and generate cash profit from FY19.



Key Rating Drivers

Credit Weaknesses

Declining financial performance: Turnover of the Company continues to decline over the past two years, as the management scales down its operations due to overall slowdown in demand for its products and to cut down increasing cash losses. However, the Company expects to improve its performance as it has already achieved a turnover of Rs. 364 Crs in 9MFY18 and expects to surpass Rs. 400 Crs for FY18. EBITDA levels improved from Rs. 2.90 Crs to Rs. 5.16 Crs during FY17 but continues to report cash losses on account of high interest cost burden of Rs. 14-15 Crs every year.

Inadequate liquidity position: ASSPL's reports inadequate liquidity position reflected in working capital limits being fully utilized throughout the year. Its operations remain working capital intensive as it has reported high debtor's level position during FY17. Old debtors (more than six months) stood at Rs. 5.66 Crs in FY17 against Rs. 2.64 Crs in FY16. Some debtors are outstanding from its own group company viz. Asian Colour Coated Ispat Ltd, which has been referred to NCLT for resolution by its lenders.

Corporate Guarantee extended to its group companies: ASSPL has reported contingent liabilities of Rs. 4424.50 Crs in its FY17 balance sheet, which consists of corporate guarantees extended to its group companies, Asian Colour Coated Ispat Ltd (ACCIL) & Asian Ispat FZC. ACCIL account has been referred to NCLT for resolution under the IBC (Insolvency and Bankruptcy Code), 2016.

Analytical Approach

BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes **AGR Steel Strips Private Limited'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 company able to improve its financial risk profile along with significant increase in its turnover levels and generate cash profits, cut down related party transactions significantly to its group companies and able to infuse funds as and when required to service interest obligations over the medium term. The rating outlook may be revised to 'Negative' if turnover go down and continues to report weak financial risk profile and liquidity position over the medium term.

About the Company

ASSPL was incorporated in October 1992. It is engaged in manufacturing of Hot Rolled Pickled and Oiled (HRPO) and Cold Rolled Close Annealed (CRCA) steel strips /coils. The Company's registered office is located in New Delhi and manufacturing unit is at Dharuhera, Haryana,



about 70 km from Delhi; the company has installed capacity to manufacture 60,000 TPA of HRPO and 40,000TPA of CRCA.

Company's Financial Performance

ASSPL has reported a total operating income of Rs. 364.23 Crs in FY17 as against Rs. 431.75 Crs in FY16. It has reported a net loss of Rs. 10.98 Crs (P.Y. Rs. 11.57 Crs). As on 31st March 2017, it has reported a tangible net worth of Rs. 59.13 Crs (P.Y. Rs. 70.11 Crs).

Key financial indicators are summarized in Annexure I below.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years (including withdrawn/suspended ratings)

| Sl. No. | Facility | Current Rating (Year 2018) | | | Rating History | | |
|--------------|----------------|----------------------------|-----------------|---|-------------------------------------|------|----------------------------|
| | | Type | Amount (Rs Crs) | Rating | 05 Jan 2017 | 2016 | 19 Aug 2015* |
| 1 | Fund Based | Long Term | 75.00 | BWR BB – (Outlook Stable) (Downgrade) | BWR BB (Outlook Stable) (Downgrade) | N.A. | BWR BBB – (Outlook Stable) |
| 2 | Non Fund Based | Short Term | 45.00 | BWR A4 (Reaffirmed) | BWR A4 (Downgrade) | N.A. | BWR A3 |
| Total | | | 120.00 | INR One Hundred and Twenty Crores Only | | | |

* BWR rated BWR BB+ (Stable)/A4+ for ASSPL's total bank loan facilities amounting to Rs. 126.00 Crs on 20 Feb 2014.

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website





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|---|---|
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Annexure I – Key Financial Indicators of AGR Steel Strips Private Limited.

| Particulars | FY16 (A) | FY17 (A) |
|------------------------------------|----------|----------|
| Total Operating Income (Rs. Crs) | 431.75 | 364.23 |
| EBITDA (Rs. Crs) | 2.90 | 5.16 |
| PAT (Rs. Crs) | -11.57 | -10.98 |
| Total Tangible Network (Rs. Crs) | 70.11 | 59.13 |
| Total Debt to Equity Ratio (times) | 1.70 | 2.02 |
| ISCR (times) | 0.21 | 0.33 |

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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