

Rating Rationale

Brickwork Ratings assigns 'BWR BB+' & 'BWR A4+' for the Bank Loan Facilities aggregating ₹ 126 Cr of AGR Steel Strips Private Limited

Brickwork Ratings has assigned following **Ratings**¹ for the Bank Credit Facilities of AGR Steel Strips Private Limited ('ASSPL' or 'the Company').

Facility	Limits (Existing/Proposed) (₹ Cr)		Tenure	Rating
	Bank of Baroda	South India Bank		
Fund Based: Cash Credit	60.00	16.00 (Fresh)	Long Term	BWR BB+ [BWR Double B Plus] Outlook - Stable
Non-Fund Based: Letter of Credit	40.00	10.00 (Fresh)	Short Term	BWR A4+ [BWR A Four Plus]
Total	126.00		INR One Hundred and Twenty Six Crores only	

The Rating factors, inter alia, the experience of promoters and management in steel manufacturing and trading business, consistent revenue growth, moderate debt-equity and net worth position. Strategic location of the Company's manufacturing unit in the National Capital Region (NCR) gives it close proximity to several original equipment manufacturers (OEMs) and other steel-based product manufacturers. However, the Rating is constrained by competitive nature of industry, working capital intensive nature of operations, and modest net profit margins.

BWR has essentially relied upon the audited financial results of AGR Steel Strips Private Limited up to FY13, H1FY14 financial performance and information and clarifications provided by the Company.

Company Overview

AGR Steel Strips Pvt Ltd. (ASSPL) was incorporated on October 20, 1992 and was acquired by the current promoters Mr. Ram Kumar Aggarwal, Mr. Pradeep Aggarwal and Mr. Vikas Aggarwal in the year 2000. The Company is engaged in manufacturing cold rolled steel strips. The other group concerns of ASSPL are Asian Color Coated Ispat Limited (ACCIL) and Asian Ispat FZC (AIF) (incorporated in United Arab Emirates) which are engaged in manufacturing Cold Roll Coils, Galvanized Cold Rolled Sheets, and Colour Coated Sheets etc. ACCIL's bank loan facilities carry BWR A (Stable)/ BWR A1 Rating.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile

The Board of ASSPL comprises of Mr Pradeep Aggarwal and Mr Vikas Aggarwal, brothers, in the capacity of Directors. Both have extensive experience of over 20 years in the cold rolled steel strips manufacturing industry. Mr. Pradeep Aggarwal handles procurement of raw material and marketing division of the Company while Mr. Vikas Aggarwal is responsible for project implementation and technical up-gradation.

The Promoters and their family members hold 91.10% of Company's share capital, the balance 8.90% held by corporate bodies.

Business Operations

ASSPL has facilities to manufacture 36,000 TPA of narrow width cold rolled steel strips. The unit is based in the industrial area of Dharuhera, Haryana about 70 km from Delhi on the Delhi-Jaipur highway. The Company benefits from experience of other group companies in procurement of raw material, as well as presence of customers engaged as original equipment manufacturers (OEMs) and other steel-based product manufacturers in close proximity. Capacity utilization was around 90%.

The finished products are tested for various quality parameters like hardness, tensile strength, and elongation and are widely used in various industries including automobile industry, bicycle industry, furniture, drums and barrels, precision tubes, home appliances and sheet metal components. The share of the top ten customers in the wholesale business is about 55% and the Company generally gets repeat orders from these customers.

Financial Performance

During FY13, the Company has generated revenue of Rs.481.16 Cr. Sales from manufacturing activities stood at Rs.384.13 Cr and the balance Rs.97.03 Cr was from trading business. Revenues from manufacturing business have increased by 12.85% y-o-y. Net Revenues have increased by almost 39% y-o-y from Rs.309.10 Cr in FY12 to Rs.430.00 Cr in FY13. However, operating expenses have increased by about 41% during the same period. Consequently, OPM declined from 7.30% in FY12 to 6.24% in FY13. Besides, increase in financial expenses and depreciation have reflected in net profit margin declining from 2.59% to 2.12% during the period.

ASSPL's capital structure reflects moderate Debt-Equity ratio and Net Worth as of March 2013. Debt mainly comprised of working capital facilities of Rs.89.67 Cr and Term loans of Rs.1.76 Cr. Company's Net worth was Rs.63.86 Cr as of FY13 as against Rs.53.67 Cr previously.

Rating Outlook

ASSPL benefits from rich experience of its promoters and group concerns which are in similar line of business which helps in sourcing of raw material at competitive price. The Company has shown consistent growth in top line in the past three years and has established client base. Top line growth is expected to remain normal in the current financial year given the performance till H1FY14. Going forward, ability of the Company to control costs, sustain operational efficiency and improve working capital management will be crucial to improve profitability.

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