

Rating Rationale

Adarsh Global Trades & Services Pvt Ltd

5th April 2018

Brickwork Ratings reaffirms 'BWR BB' for the reduced long term bank loan facilities of Rs 5.00 Crs and withdraws 'BWRA4' for the short term bank loan facilities of Rs 40 Crs of Adarsh Global Trades & Services Pvt Ltd ('AGTSPL' or the 'Company')

Particulars:

Facilities Rated#	Amount (Rs Crs)	Amount (Rs Crs)	Tenure	Rating	
	Previous*	Present		Previous (14-Nov-2016)	Present
Fund based: OCC	10.00	5.00	Long term	BWR BB [Pronounced BWR Double B] (Outlook: Stable)	BWR BB [Pronounced BWR Double B] (Outlook: Stable) Reaffirmed
Non Fund based: FLC	40.00	-	Short term	BWR A4 [Pronounced BWR A four]	Withdrawn#
Total	50.00	5.00	INR Five Crores Only		

* Previously Proposed Limits of Rs 50 Crs was being rated in Nov 2016. Presently we are rating sanctioned OCC limits of Rs 5 Crs from Karur Vysya Bank.

Short term rating has been withdrawn, as no NF facilities have been sanctioned.

#Annexure I shows details of bank loan facilities

¹For definitions of the rating symbol please visit our website www.brickworkratings.com

Rating Reaffirmed for Long term Bank loan Facilities and Rating withdrawn for Short term Bank Loan Facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, 9MFY18 Provisionals, publicly available information and information / clarifications provided by the Company's management.

The reaffirmation of rating factors the industry experience of the promoters, healthy order book and average credit risk profile marked by adequate debt protection metrics and comfortable gearing levels.



The ratings, are however, constrained by the nature of the Company's operations where trading activities contribute the entire Company's revenues, exposure to exchange rate fluctuations risk, weak profitability levels and volatility of raw material prices in an intensely competitive trading industry.

Going forward, the ability of the Company to increase its turnover and profitability margins, diversify customers and suppliers base, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **Adarsh Global Trades & Services Pvt Ltd'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.

Key rating drivers

Experienced Management: The Company's management has good experience in in the trading industry.

Average credit risk profile: The Company's financial risk profile is satisfactory marked by average debt protection metrics and comfortable gearing levels. The Company is Zero debt with modest net worth.

Satisfactory scale of business operations- The scale and size of business operations are satisfactory given the nascent stages of business operations.

Thin overall profitability of the business- PAT and operating margins were low at 0.13% and 0.92% respectively for FY17, due to trading nature of activity.

Highly fragmented and intensely competitive industry- The Company operates in a highly fragmented and competitive Iron & Steel Products, coal, Metals, Minerals and agro products industry.

.Analytical approach

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

About the Company

Incorporated in July 2012 at Hyderabad, Adarsh Global Trades & Services Pvt Ltd is engaged in the wholesale trading of Iron & Steel Products, coal, Metals, Minerals and agro products. The Registered Office of the company is located in Hyderabad, while the marketing and administrative office is in Visakhapatnam. The Company had entered into various contracts with LME Registered Grade A Copper Cathodes for sale of copper cathodes in Europe and China. The Company also has operations in

International Merchanting Trade, where the Company acts as a merchant/ intermediary residing in India and facilitating merchant transaction involving shipment of goods from one foreign country to another foreign country, for which it had also incorporated a subsidiary company in Hong Kong.

Mr. G. Bhaskara Rao is the Managing Director and Mr G Ramjee & Mr. Raveendra Sangapu are the Directors. All the Directors are experienced in the trading industry.

Financial Performance

Net sales stood at Rs 283.13 Crs in FY17 as against Rs 447.14 Crs in FY16. Profit after tax (PAT) stood at Rs 0.38 Crs in FY17 as against Rs 0.50 Crs in FY16. Tangible net worth stood at Rs 12.19 Crs as on March 31, 2017. Total debt as on March 31 2017 was nil. Short term borrowings of Rs 5.05 Crs as on 31st Dec 2017 mainly comprised of working capital limits sanctioned by Karur Vysya Bank. Total debt/ Tangible Net worth was also nil as on March 31 2017. Short term borrowings of Rs 5.05 Crs as on 31st Dec 2017 mainly comprised of working capital limits sanctioned by Karur Vysya Bank. On a provisional basis, the Company has reported net sales of Rs 205.87 Crs for 9MFY18. The key financial indicators are summarized in Annexure II.

Status of non-cooperation with other CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Tenure	Amount (Rs Crs)	Rating	14-Nov-2017*	2016	2015
1	Fund based Limits: OCC	Long term	5.00	BWR BB (Stable) Reaffirmed	BWR BB (Stable) Assigned	-	-
2.	Non Fund based Limits: FLC	Short term	-	Withdrawn	BWR A4 Assigned	-	-
	Total		5.00	INR Five Crores Only			

*Amount rated: Rs 50 Crs

Hyperlink/Reference to applicable Rating Criteria

- [General Criteria](#)

- [Approach to Financial Ratios](#)
- [Trading Entities](#)

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Adarsh Global Trades & Services Pvt Ltd

Annexure I: Details of the bank facilities rated

Sanctioned Facilities	Bank Name	Rated Limits (Rs Crs)
Fund based: OCC	The Karur Vysya Bank Ltd, Rajam branch, Erode Raod, Karur	5.00
Total		5.00

Adarsh Global Trades & Services Pvt Ltd

Annexure II

Key Financial Parameters

Particulars	31/Mar/2016	31/Mar/2017
Result Type	Audited	Audited
Net Sales (Rs Crs)	447.14	283.13
EBITDA (Rs Crs)	6.12	2.59
PAT (Rs Crs)	0.50	0.38
Tangible Net Worth (Rs Crs)	11.82	12.19
Total Debt/TNW (Times)	0.00	0.00
Current Ratio (Times)	1.11	1.06
ISCR (Times)	1.14	1.27
DSCR (Times)	1.09	1.19

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

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.