

Rating Rationale

Brickwork Ratings assigns ‘BWR BB/ A4’ for the Proposed Bank Loan Facilities amounting to ₹ 50.00 Cr of Adarsh Global Trades & Services Pvt Ltd

Brickwork Ratings has assigned **Ratings¹** for the proposed bank loan facilities of Rs 50.00 Cr (Rupees Fifty Crores Only) of Adarsh Global Trades & Services Pvt Ltd (“AGTSPL” or “the Company”) as follows:

Facilities	Proposed Limits (₹ Cr)	Tenure	Rating
Fund based: OCC	10.00	Long term	BWR BB [Pronounced BWR Double B] (Outlook: Stable)
Non Fund based: FLC	40.00	Short term	BWR A4 [Pronounced BWR A Four]
Total	50.00	INR Fifty Crores Only	

BWR has principally relied upon the audited financial results upto FY16, projected financials of Adarsh Global Trades & Services Pvt Ltd upto FY18, publicly available information and information/clarifications provided by the Company.

The ratings factor, inter alia, the industry experience of the promoters, healthy order book and average financial risk profile marked by adequate debt protection metrics and comfortable gearing levels. The ratings, are however, constrained by the nascent stage of business operations, nature of the Company’s operations where trading activities contribute the entire Company’s revenues, weak profitability levels high customer and supplier concentration risk and volatility of raw material prices in an intensely competitive trading industry.

As the rating is for ‘proposed’ bank loan facilities, BWR has assumed standard terms & conditions that lenders stipulate for such loans, including, but not limited to, collateral, security & margins, and commencement of repayment after reasonable moratorium period.

Background

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 Company’s marketing and administrative office is in Visakhapatnam. The Company has plans to start operations in International Merchanting Trade, where the Company will act as a merchant/ intermediary residing in India and facilitating merchant transaction involving shipment of goods from one foreign country to another foreign country.

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

Management Profile

Mr. G. Bhaskara Rao is the Managing Director and Mr G Ramjee is the Director. Both the Directors are experienced in the trading industry.

Financial Performance

Net sales improved to Rs 447.14 Crs in FY16 from Rs 410.27 Crs in FY15. Profit after tax (PAT) marginally improved to Rs 0.50 Crs in FY16 from Rs 0.21 Crs in FY15. Interest and Finance charges of Rs 5.37 Crs in FY16 mainly comprised of LC discounting/ negation Financial charges of Rs 5.34 Crs as the Company supplies on credit against LC. Net worth stood at at Rs 11.82 Crs as on March 31, 2016. Outstanding debt as on March 31 2016 stood at Rs 0.05 Crs. Total debt/ Tangible Net worth was comfortable at 0.01 times as on March 31 2016. On a provisional basis, the Company has reported net sales of around Rs 114 Crs for 5MFY17.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, early approval of the proposed bank loan facilities, 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.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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.