

Rating Rationale

Brickwork Ratings Reaffirms the rating of 'BWR BB' & 'BWR A4+' for Bank Loan Facilities aggregating ₹ 26 Cr of Agarwal Company

Brickwork Ratings has *reaffirmed* the **Ratings**¹ for the Bank Loan facilities of Rs.26 Cr of Agarwal Company (AC or the firm) as follows.

Facility	Tenure	Previous Limits (Rs.Cr)	Present Limits (Rs.Cr)	Previous Rating	Present Rating
Fund Based Overdraft	Long Term	6.00	6.00	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmation
Non Fund based Bank Guarantee	Short Term	14.00	20.00	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmation
Total		20.00	26.00	INR Twenty Six Crores Only	

BWR has principally relied upon the audited financial statements up to FY14, Certified Provisional Financials of FY15, projections of ongoing project and, publicly available information and information/clarifications provided by the company's management.

The ratings draw strength from the promoters' experience and its established track record of operations with govt. and private clientele base, registered as Class-I A civil contractor, moderate order book position, and satisfactory coverage indicators. However, the ratings are constrained by low net worth, high gearing, and the competitive nature of business, project execution and completion risk, high working capital nature associated with the business, geographical concentration risk and constitution as a partnership concern.

Background:

Agarwal Company (AC), was established as partnership firm in 1980 with Mr. V. P. Agarwal, Mr. Manoj Agarwal and Mr. Vikas Agarwal as partners. AC is engaged in the construction business with its head office located in Lucknow and Branch offices in Agra & Varanasi. The partners have significant experience in the construction business for more than four decades. AC is registered as an A-class contractor with Agra Development Authority, Varanasi Development Authority and various government departments. Firm has ISO 9001-2008 certification.

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

The firm has executed various projects including multi storied structures, work on turnkey basis, development works, external & internal sewerage & water supply works, water Proofing works, road works, overhead water tanks, landscaping & warehouses of big capacities, along with internal & external electrical work, façade works and major interior works etc. AC is currently executing projects worth around Rs.60 Cr.

Financial Performance:

As per provisional financial of FY 15, firm reported a total operating income of Rs.41.65 Cr, OPBDIT of Rs.4.11 Cr and a PAT of Rs.2.71 Cr as against a total operating income of Rs.40.56 Cr, OPBDIT of Rs.4.11 crore and PAT of Rs.2.35 Cr in FY14 (Audited). EBITDA and PAT margins were at 9.87 % and 6.51% respectively in FY15. The firm's capital stood at Rs.3.22 Cr, coupled with a D/E ratio of 1.60 times and current ratio of 1.21 times for FY 15.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the firm to increase its scale of operations by bidding for new orders coupled with timely execution of the current order book, managing its working capital requirement efficiently, equity infusion from the promoters, improving the current capital structure and profitability would be the key rating sensitivities.

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