

Rating Rationale

Brickwork Ratings Reaffirms a rating of 'BWR BB & BWR A4+' for the bank loan facilities aggregating ₹26 Cr of M/s Agarwal Company

On a Review Brickwork Ratings (BWR) has reaffirmed the following **Ratings¹** for Bank Loan Facilities of M/s Agarwal Company (or “the firm”)

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Rating History Sept, 2015	Rating
Fund Based Limits					
Cash Credit	6.00	6.00	Long Term	BWR BB (BWR Double B) Outlook: Stable	BWR BB (BWR Double B) Outlook: Stable Reaffirmation
Non-Fund Based Limits					
Bank Guarantee	20.00	20.00	Short Term	BWR A4+	BWR A4+ Reaffirmation
Total	26.00	26.00	INR Twenty Six Crores Only		

BWR has essentially relied upon the firm’s Audited financial results of FY16, publicly available information and the information/clarifications provided by the firm’s Management.

The reaffirmation of the ratings take into consideration the long experience of the management and established track record in executing civil works, as a Class- A contract and visible revenue growth and satisfactory coverage ratios. However the ratings are constrained by low net worth, high gearing, modest scale of operations, reduced operating profit margin and inherent risk of the constitution of the firm being partnership.

Background:

M/s Agarwal Company, established as a partnership firm in the year 1980 operates as a Class-A Contractor, mainly undertaking civil and structural works for public infrastructure & residential buildings etc. in Lucknow, Kanpur, Agra, and Varanasi Development Authorities. The firm is promoted by Mr. Manoj Agarwal (Holding profit share of 65%) and Mr. Vikas Agarwal (Holding profit share of 35%) as partners. M/s Agarwal Company is an ISO 9001-2008 certified.

Financial Performance:

The firm has reported a net profit of Rs. 4.19 crore on an operating income of Rs. 71.91 crore in FY2016 compared to a net profit of Rs.2.44 crore on an operating income of Rs. 42.13 crore in FY2015. As on 31st March 2016 Partners net-worth stood at Rs.2.32 Crore Coupled with Debt/Equity ratio of 3.33 times, operating profit margin, net profit margins recorded at 9.07 %, 5.82 % respectively with a Current ratio of 1.17 times.

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

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward the ability of the firm to grow in revenues and profitability while increasing the scale and size of operations, improve the capital structure along with efficient working capital management would remain the key rating sensitivities.

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