



## Rating Rationale

Agarwal Ferro Metallic Pvt Ltd

11 Jan 2019

**Brickwork Ratings upgrades/ reaffirms the ratings for the Bank Loan Facilities of ₹. 29.13 Crores of Agarwal Ferro Metallic Pvt Ltd.**

### Particulars

Issue	Previous Amount (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	BWR Rating History (November, 2017)	Rating
<b>Fund Based</b>	29.13	29.13	Long Term	<b>BWR B-</b> (Pronounced as <b>BWR Single B minus</b> ) Outlook: Stable	<b>BWR B+ (Pronounced as BWR single B plus)</b> Outlook: Stable Upgrade
<b>Non-fund Based</b>	(1.50)	(1.50)	Short Term	<b>BWR A4</b> (Pronounced as <b>BWR A four</b> )	<b>BWR A4 (Pronounced as BWR A four)</b> (Reaffirm)
<b>Total</b>	29.13	29.13	INR Twenty Nine Crores Thirteen Lakhs Only/-		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon the audited financial results upto FY18, projections for the financials FY19, FY20 and FY21, the information and documents provided by the client, as well as the publicly available information.

The company draws rating strength from experienced management, continuous infusion of capital, above average financial risk profile, stable liquidity position and moderate debt protection metrics. The rating is however constrained by moderate scale of operations, concentration risk and competition from several small and big players.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Experienced Management :-** The management is qualified and have considerable experience in the same line of business.



- **Growing Sales Turnover :-** There has been an increase in the sales turnover over the years, from Rs. 52.31 crs. to Rs. 104.28 crs. in the FY17 (Audited) and FY18 (Audited) respectively. The company entered into the business of TMT bars in 2016, which was relatively a new line of business for the company.
- **Moderate Profitability Margins :-** The company has registered moderate profit margins of 7.07 (OPM) and 2.34 (NPM) in the FY18.

#### **Credit risks:**

- **High Industry Risk :-** The Indian Steel Industry continues to grapple with uncertainties pertaining to the availability and consistent supplies of raw materials i.e. both coal and iron ore still remain a challenge.
- **Geographical concentration risk :-** The customers and suppliers, both are based in Aligarh (Uttar Pradesh) and as such there is concentration risk. Any area specific issue may adversely affect the business activity.
- **High Gearing Ratio :-** The company has a high gearing ratio (TOL/TNW) of 4.91 in the FY18 (Audited) though there has been an increase in the Tangible Net Worth over the years.

#### **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).

#### **Rating Outlook: Stable**

BWR believes the **Agarwal Ferro Metallic Pvt Ltd** 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.

#### **About the Company**

Agarwal Ferro Metallics Pvt Ltd (AFMPL) was established in the year 2006 and is engaged in the manufacturing and trading of steel TMT bars, ingots and other products. It is located in Aligarh(Uttar Pradesh). It is managed by the Aggarwal family. They have an experience of about a decade in this industry.

### Company Financial Performance

#### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	111.46	55.51
EBITDA	₹ Cr	7.88	1.16
PAT	₹ Cr	2.61	-4.49
Tangible Net worth	₹ Cr	9.46	6.85
Total Debt/Tangible Net worth	Times	3.63	5.38
Current Ratio	Times	1.40	1.39

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>	Long Term	29.13	<b>BWR B+ (Pronounced as BWR single B plus)</b> Outlook: Stable Upgrade	<b>BWR B-(Pronounced as BWR Single B minus)</b> Outlook: Stable	<b>N/A</b>	
	<b>Non Fund Based</b>	Short Term	(1.50)	<b>BWR A4 (Pronounced as BWR A four) (Reaffirm)</b>	<b>BWR A4 (Pronounced as BWR A four).</b>		
	<b>Total</b>		<b>29.13</b>	<b>Twenty Nine Crores Thirteen Lakhs Only/-</b>			



## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Satvinder Kumar Gakhar</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

### For print and digital media

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### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



#### **DISCLAIMER**

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