

## RATING RATIONALE

17 Apr 2020

### Agarwal Ferro Metallic Pvt. Ltd.

**Brickwork Ratings upgrades/reaffirms the ratings for the Bank Loan Facilities of ₹. 22.30 crores of Agarwal Ferro Metallic Pvt Ltd ('AFMPL' or the company).**

#### Particulars

Facilities	Previous Amount (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	BWR Rating History (Jan, 2019)	Rating**
Fund Based	29.13	22.30	Long Term	BWR B+ Stable Upgraded	BWR BB-Stable Upgraded
Non-Fund Based	(1.50)^	(1.50)^	Short Term	BWR A4 Reaffirmed	BWR A4 Reaffirmed
<b>Total</b>	<b>29.13</b>	<b>22.30</b>	<b>INR Twenty Two Crores and Thirty Lakhs Only</b>		

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

\*\* Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

^ Sub-limit of the fund based limit

#### RATING ACTION / OUTLOOK

BWR has upgraded/reaffirmed the ratings of Agarwal Ferro Metallic Pvt Ltd (AFMPL) to BWR BB-(Stable)/A4. The upgradation/reaffirmation in the ratings reflect the extensive experience of the promoters, growing topline, and moderate gearing levels. However, the ratings are constrained by low profitability margins, below benchmark debt coverage metrics, high industry risk, and geographical concentration risk.

The 'stable' outlook indicates a low likelihood of the rating change over the medium term. BWR believes that AFMPL will continue to benefit from the extensive experience of the promoters.

## KEY RATING DRIVERS

### Credit Strengths

- **Extensive experience of the promoters:** The management of the company is qualified and have extensive experience of over three to four decades in the line of business which gives an edge to the company over other players in the industry.
- **Growing topline:** The topline of the company has grown at a considerable rate of over 46% in the past three fiscal periods and is projected to grow at a rate of 3-5% in the medium term. Total operating revenue of the company stood at INR 173.93 crores in FY 2019 as against INR 111.46 crores in FY 2018.
- **Moderate gearing levels:** The company is moderately geared as the total debt level (analyzed) is 2.06x the tangible net worth (analyzed) of INR 15.60 crores, and the overall gearing of the company is also moderate marked by TOL/TNW of 3.45x in FY 2019.

### Credit risks

- **Low profitability margins:** The profitability margins of the company were low and have also declined marked by OPM and NPM of 3.18% and 0.56% respectively in FY 2019 as against 7.07% and 2.34% respectively in FY 2018. It is estimated that the profitability margins will remain on the lower side in the medium term.
- **Below-benchmark debt-coverage metrics:** Although the interest coverage metrics marked by ISCR is at a comfortable position of 2.16x in FY 2019 but the debt coverage metrics marked by DSCR is poor and below benchmark at 0.99x in FY 2019 as against 1.21x in FY 2018. It is projected that the debt coverage indicator will remain in the same position in the medium term as well
- **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.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

### RATING SENSITIVITIES

Going forward, the ability of the company to sustain growth in the topline, improve profitability margins, improve the financial risk as well as liquidity risk profile will be the key rating sensitivities.

**Positive:** Any substantial increase in the turnover, profitability margins and improvement in the overall financial risk profile and liquidity profile.

**Negative:** Any steep decline in the receipts, profitability margins and deterioration in the overall financial risk profile and liquidity profile.

### LIQUIDITY POSITION: Stretched

The liquidity profile of the company is stretched marked by the modest cash & cash equivalents position of INR 0.07 crores in FY 2020, full utilization of the working capital limit of INR 13.85 crores, and below benchmark quick ratio of 0.76x in FY 2019 although the current ratio at 1.42x in FY 2019 is comfortable.

### COMPANY'S PROFILE

Incorporated in 2006, Agarwal Ferro Metallic is a Aligarh, Uttar Pradesh based closely held private limited company engaged in manufacturing and trading of TMT bars, ingots and other allied products. The furnace and the rolling mill of the company is located in Aligarh only with an installed capacity of 16000 and 36000 tons per year respectively. The company is promoted by the Agarwal family of Aligarh and the promoters have over three to five decades of experience in the line of business.

### KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Revenue	₹ Crores	173.93	111.46
EBITDA	₹ Crores	5.54	7.88
PAT	₹ Crores	0.97	2.61
Tangible Net Worth [Analyzed]	₹ Crores	15.60	13.64
TOL/TNW [Analyzed]	Times	1.93	3.10
Current Ratio	Times	1.42	1.40

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

**RATING HISTORY**

Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	Jan, 2019	2018	Nov, 2017
Fund Based	Long Term	22.30	<b>BWR BB- Stable</b> Upgraded	<b>BWR B+ Stable</b> Upgraded	-	<b>BWR B- Stable</b> Assigned
Non-Fund Based	Short Term	(1.50)*	<b>BWR A4</b> Reaffirmed	<b>BWR A4</b> Reaffirmed	-	<b>BWR A4</b> Assigned
<b>Total</b>		<b>22.30</b>	<b>INR Twenty Two Crores and Thirty Lakhs Only</b>			

\* Sub-limit of the fund based limit

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

Analytical Contacts	Investor and Media Relations
<p><b>Akshay Rastogi</b> Rating Analyst Board: +91 11 2341 2232 Ext: 109 akshay.r@brickworkratings.com</p> <p><b>Satvinder Kumar Gakhar</b> Assoc. Director- Ratings Board: +91 11 2341 2232 satvinder.g@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

**Radiant Bar Pvt Ltd**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Canara Bank	Cash Credit	13.85	-	13.85
2.		Term Loan	8.45*	-	8.45*
3.		Letter of Credit	-	(1.50)**	(1.50)**
<b>TOTAL</b>					<b>22.30</b>

**Total Rupees Twenty Two Crores and Thirty Lakhs Only**

\* O/s out of the sanction of INR 15.08 crores

\*\* Sub-limit of the cash credit limit.



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