



## Rating Rationale

Agarwal Ferro Metallic Pvt Ltd

13th November 2017

**Brickwork Ratings assigns the rating for the Bank Loan Facilities of Rs 29.13 Crores of Agarwal Ferro Metallic Pvt Ltd, Uttar Pradesh**

Facility Rated	Amount (Rs in cr)	Tenure	Rating*
<b>Fund Based</b>			
Term Loan	15.08	Long Term	BWR B- (Outlook:Stable) [BWR B Minus]
Open Cash Credit	13.85		
Proposed Open Cash Credit	0.20		
Overdraft against book debts	(4.00)		
<b>Non Fund Based</b>			
Inland Letter of Credit	(1.50)	Short Term	BWR A4 [BWR A Four]
<b>Total</b>	<b>29.13</b>	<b>INR Twenty Nine Crores and Thirteen Lakhs only</b>	

\* Overdraft against book debts of Rs 4cr is a sublimit of Open cash credit of Rs 13.85cr.

\* Inland Letter of Credit of Rs 1.50cr is a sublimit of Open cash credit of Rs 13.85cr.

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

## Rating Assigned

Brickwork Ratings have assigned the rating for Bank Loan facilities amounting to Rs. 29.13 Crores of Agarwal Ferro Metallic Pvt Ltd (“AFMPL” or the “Company”), Uttar Pradesh. as detailed in the table above.

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

BWR has principally relied upon the audited financial results of FY14-FY16, provisional financial results of FY17 and projected financial results of FY18 and publicly available information and information/clarification provided by the company's management.

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The rating has factored, inter alia, long track record of the promoters in the industry and personal guarantee given by the promoters.

The rating is however constrained by, low net worth, shortfall in the envisaged performance of the company in terms of scale of operations and operating profitability, below average financial risk profile of the company, a high cash conversion cycle and net loss in FY17, geographical concentration risk related to both purchases and sales.

Going forward, the Company's ability to increase its scale of operations and improve its profitability along with efficient management of its working capital requirements in light of competitive nature of industry, achievement of projected financials and adherence/maintenance of the condition of various financial covenants stipulated by financial institutions and timely payment of debts/interest would be the key rating sensitivities of the company.

#### **Key Rating Strengths:-**

***Long Track Record of the promoters in the industry:-*** AFMPL was established in 2006 and thus is in existence in the business for about a decade. The promoters have an experience of more than a decade in this industry.

***Personal Guarantee given by promoters:-*** The promoters have agreed to give a personal guarantee in case of default.

#### **Key Rating Weaknesses:-**

***Low networth:-*** AFMPL records a networth of Rs 6.86cr as per provisional FY17 financials. It has reduced significantly from Rs 11.31cr in FY16 due to net losses recorded in FY17.

***Shortfall in the envisaged performance of the company:-*** AFMPL had projected turnover of Rs 72cr in FY17 of which Rs 52.31cr had been recorded as per provisional FY17 financials. Further, turnover of Rs 91cr has been projected for FY18, of which Q1 sale is Rs 16.62cr which works out to Rs 66.48cr on an annualized basis. Thus, there is a shortfall in the envisaged performance of the company for more than 25%.

***High Cash Conversion Cycle:-*** The cash conversion cycle comes around 172 days as per provisional FY17 against around 248 days in FY16. Though, it has reduced substantially in FY17, still, it can be considered high. Such a high cash conversion cycle is due to higher days inventory.

***Net Loss in FY17:-*** AFMPL recorded PAT of Rs (4.49) cr in provisional FY17 against Rs 0.32cr in FY16.

***Geographical Concentration Risk:-*** Around 75% of the sales is concentrated in Uttar Pradesh. Also, major part of purchases is from Jharkhand region. This results in a geographical concentration risk.



### Rating Outlook: Stable

BWR believes Agarwal Ferro Metallic Pvt Ltd's 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 Metallica Pvt Ltd was incorporated in 2006 as a private limited company which is engaged in manufacturing of TMT bars. Also, it is engaged in manufacturing of MS Ingots, rizers and miscellaneous rolls. However, the largest selling product is TMT bars. Also, it is engaged in trading of non ferrous metals like nickel, zinc, brass and copper. The company is promoted by Mr.Deepak Agarwal, Mr.Abhinav Agarwal, Mr.Suresh Chand Agarwal, Mr. Mridul Agarwal and Mr. Mukul Agarwal. TMT bars find usage in construction industry while ingots find usage in the handpump industry. It is located in Aligarh, Uttar Pradesh. Most of the exposure is to UP and Delhi. However, most of the sales takes place in UP.

### Company Financial Performance

In provisional FY17, revenue and PAT of Agarwal Ferro Metallic Pvt Ltd stood at Rs.52.31cr and Rs.(4.48)cr respectively, compared to Rs. 27.06cr and Rs. 0.32cr respectively in FY16. Net Worth decreased from Rs.11.31cr in FY16 to Rs. 6.86cr in FY17 due to net losses in FY17.

### Key Financial Ratios

Particulars (Amt in Rs. Crs)	2016(Audited)	2017(Provisional)
Net Sales/Revenue	27.06	52.31
EBITDA	(2.55)	(2.02)
PAT	0.32	(4.48)
Tangible Networth	11.31	6.86
Total Debt/TNW	3.36	5.44
Current Ratio	1.77	1.34

### Rating History for the last three years (including withdrawn/suspended ratings)

		Type (Long Term / Short Term)	Amount	Rating	2016	2015	2014
1	Fund Based Bank Facility	Long Term	29.13	BWR B-  (Stable)	-	-	-
2	Non Fund Based Bank Facility	Short Term	(1.50)	BWR A4	-	-	-
<b>Total</b>			<b>Rs.29.13 crore</b>				

### Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Entities](#)

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#### 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).

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### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.