

Rating Rationale

Agarwal Foundries

12th April 2017

Brickwork Ratings reaffirms BWR BBB (Stable) / A3+ for the Bank Loan Facilities of Rs.19.00Crs of Agarwal Foundries

Particulars

Facility Rated	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Tenure	Previous Rating	Rating *
<u>Fund Based</u>					
Cash Credit	15.00	15.00	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook: Stable	BWR BBB (Pronounced BWR Triple B) Outlook: Stable <i>Reaffirmed</i>
<u>Non Fund Based</u>					
Letter of Credit	4.00	4.00	Short Term	BWR A3+ (Pronounced BWR A Three Plus)	BWR A3+ (Pronounced BWR A Three Plus) <i>Reaffirmed</i>
Total	Rs. 19.00 Crores (Rupees Nineteen Crores Only)				

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I provide bank – wise details of facilities

Ratings Reaffirmed

Rationale/ Description of Key Rating Drivers/ Rating Sensitivities

BWR has essentially relied upon the audited financials upto FY16, projected financials of Agarwal Foundries upto FY18, publicly available information and information / clarifications provided by the concern's management.

The ratings continue to draw comfort from the promoters' extensive industry experience, established track record of the Hyderabad based MS Group in the steel industry, overall group

strength and synergies derived from the operations of the concern being aligned to and integrated with the flagship company of the Group (MS Agarwal Foundries Private Limited). The ratings also draw comfort from the improvement in gearing as well as improvement in debt servicing metrics of the concern. However, the ratings remain constrained by the proprietorship constitution, thin profitability, decline in debt servicing metrics and working capital intensive nature of operations.

Going forward, the ability of the concern to increase its scale of operations significantly, improve profitability, ensure optimum capacity utilization, increase operational efficiency and efficiently manage its working capital will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **Agarwal Foundries'** 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 Concern

Agarwal Foundries, a proprietorship concern, was established in 1991 at Ranga Reddy district, Telangana by Mr Promod Kumar Agarwal. The concern is involved in manufacturing of MS Ingots/Billets. Agarwal Foundries is part of Hyderabad based MS Group of companies. The group is engaged in the manufacturing of long steel products and processing of cotton yarn for over two decades. AF's operations are forward integrated with its flagship company "MS Agarwal Foundries Pvt Ltd". The concern supplies Billets to MS Agarwal Foundries Pvt Ltd for manufacturing TMT Bars. Revenue from "MS Agarwal Foundries Pvt Ltd" contributes ~50 % of the revenues in FY15. The concern's manufacturing unit is located at Ranga Reddy District, Telangana. It has an installed capacity of 30000 TPA for manufacturing MS Ingots / Billets.

The other group companies are MS Agarwal Foundries Pvt Ltd (rated BBB+ (Stable) / A3+) , Maruti Ispat & Energy Pvt Ltd (rated BBB+ (Stable) / A3+) (all integrated steel manufacturers), Sitaram Spinners Pvt Ltd (rated BBB (Stable) / A3) and Rama Spinners Pvt Ltd (rated BB+ (Stable) / A4+), which are into spinning and cotton yarn. The company is into backward integration with Maruti Ispat & Energy Pvt Ld and Agarwal Foundries for the raw materials, Sponge Iron and Billets. At Consolidated Group level, revenues stood at around Rs 960.00 Crs for FY16.

Financial Performance

Net Sales increased to Rs 105.19 Crs in FY16 compared to Rs 73.58 Crs in FY15, mainly on account of trading activity, which was almost 40 % of the Net Sales in FY16. However, trading activity was discontinued in FY17. PAT was Rs 0.72 Crs in FY16 compared to Rs 0.71 Crs in FY15. Proprietor's capital as on 31st March 2016 stood at Rs. 15.23 Crs. On a provisional basis,

for 9MFY17, the concern has reported net sales of around Rs 47 Crs and expects to achieve around Rs. 75.00 Crs for FY17.

Rating History for the last three years:

Sl. No	Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (RsCrs)	Rating	2016 * (25 th April)	2015 # (08 th April)	2014
1	Fund based Cash Credit	Long Term	15.00	BWR BBB (Reaffirmed)	BWR BBB (Reaffirmed)	BWR BBB (Assigned)	Nil
2	Non Fund based Letter Of Credit	Short Term	4.00	BWR A3+ (Reaffirmed)	BWR A3+ (Reaffirmed)	BWR A3+ (Assigned)	Nil

* Amount rated was Rs. 19.00 Crs.

Amount rated was Rs. 19.00 Crs.

Hyperlink/Reference to Applicable Criteria

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

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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 Investors queries can be sent to info@brickworkratings.com.

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.

DISCLAIMER

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Agarwal Foundries

Bank Facilities

Annexure I

Type of Facility		Bank : IOB (Rs. Crs)
Fund Based	Cash Credit	15.00
Non Fund Based	Letter Of Credit	4.00
Total (Nineteen Crores Only)		19.00