

## Rating Rationale

### Brickwork Ratings Reaffirms 'BWR BBB' & 'BWR A3+' for the Bank Loan facilities aggregating ₹19.00 Cr of Agarwal Foundries

On a review, Brickwork Ratings (BWR) has reaffirmed the **Ratings<sup>1</sup>** for the bank loan facilities of Agarwal Foundries ("AF" or "the Concern") as follows:

| Facility   | Previous Rating Amount (₹ Cr) | Present Rating Amount (₹ Cr) | Tenure                          | Previous Rating (April 2015)                              | Present Rating (April 2016)   |
|--|-------------------------------|------------------------------|---------------------------------|---|---|
| <b>Fund based :</b><br><br><b>Cash Credit</b>          | <b>15.00</b>                  | <b>15.00</b>                 | <b>Long Term</b>                | BWR BBB<br>(Pronounced BWR Triple B)<br>(Outlook: Stable) | <b>BWR BBB<br/>(Pronounced BWR Triple B)<br/>(Outlook: Stable)<br/>Reaffirmed</b> |
| <b>Non Fund based :</b><br><br><b>Letter Of Credit</b> | <b>4.00</b>                   | <b>4.00</b>                  | <b>Short Term</b>               | BWR A3+<br>(Pronounced BWR A Three Plus)                  | <b>BWR A3+<br/>(Pronounced BWR A Three Plus)<br/>Reaffirmed</b>                   |
| <b>Total</b>   | <b>19.00</b>                  | <b>19.00</b>                 | <b>INR Nineteen Crores Only</b> |   |   |

BWR has principally relied upon the audited financial results upto FY15, publicly available information and clarifications as 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). However, the ratings remain constrained by the proprietorship nature of constitution, thin profitability, decline in debt servicing metrics and working capital intensive nature of operations.

#### Business Overview:

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.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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 to ~50 % of the revenues in FY15. The concern's manufacturing unit is located at Ranga Reddy District, Telangana. It has installed capacity of 30000 TPA for manufacturing MS Ingots / Billets.

The other group companies are MS Agarwal Foundries Pvt Ltd, Maruti Ispat & Energy Pvt Ltd (all integrated steel manufacturers), Sitaram Spinners Pvt Ltd and Rama Spinners Pvt Ltd, which are into spinning and cotton yarn. At Consolidated Group level, revenues stood at around ₹ 945.00 Crs for FY15.

### Financial Performance

Net Sales decreased to ₹ 73.58 Crs in FY15 compared to ₹ 89.03 Crs in FY14, mainly on account of decline in steel prices. PAT was ₹ 0.71 Crs in FY15 compared to ₹ 0.82 Crs in FY14. Proprietor's capital as on 31<sup>st</sup> March 2015 stood at ₹ 14.54 Crs. On a provisional basis, for FY16, the concern has reported net sales of around ₹ 111 Crs.

### Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, the ability of the concern to increase its scale of operations, improve profitability, ensure optimum capacity utilization, increase operational efficiency and efficiently manage its working capital will be the key rating sensitivities.

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