



Rating Rationale

Agarwal Mittal Concast Pvt Ltd

31 March 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 62.62 Crores of Agarwal Mittal Concast Pvt Ltd

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep 2016)	Present
Fund Based	53.03	50.62	Long Term	BWR BB (Pronounced as BWR Double B) Outlook- Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook- Stable Upgraded
Cash Credit	40.00	40.00			
Term Loans	13.03	10.62			
Non Fund Based	7.50	12.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4+ (Pronounced as BWR A Four Plus) Upgraded
Letter of Credit	5.00	10.00			
Bank Guarantee	2.00	2.00			
Proposed BG	0.50	-			
Total	60.53	62.62	INR Sixty Two Crores Sixty Two Lakhs only		

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

Ratings: Revision-Upgradation

Rationale:

BWR has relied upon Agarwal Mittal Concast Pvt Ltd (Company or AMCPL) audited financial results up to FY17, provisional financials of 10MFY18, projected financials up to FY19 and the information/clarifications provided by the Company.

The rating upgradation mainly takes into account the revenue growth and improved financial risk profile for current year. The rating continues to take into account the experience of the promoters in steel industry, established relationship with diversified customer base, ability of the promoters to infuse funds as and when required and operational & financial synergies within the group. The rating is, however, constrained by low profit margins owing to the industry it operates in, working capital intensive nature of business, inherent risk of sluggish steel industry and intense competition from other players in the industry.



Key Rating Drivers

1. Experienced management:

The promoters, Mr. Suresh Agarwal and Mr. Vivek Agarwal have over 15 years of experience in the steel business.

2. Improved financial risk profile:

The gearing has improved marked by total debt/ adjusted networth of 1.30 times for current year against 1.87 times for FY17. Adjusted networth includes loans taken from associates.

3. Exposure to inherent cyclicity in the steel industry:

The company is exposed to fluctuations in the prices of raw materials. As a result, the profitability margins are susceptible to input price fluctuation.

4. Highly fragmented and competitive industry:

Besides, fluctuations in the prices of major raw materials, the company is also exposed to intense competition in the steel industry from organised as well as unorganised players.

5. Low profit margin:

Though the company has reported improvement in net profit margin to 0.96% for FY17 from 0.52% in FY16, the same continue to be low owing to the industry it operates in.

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 Mittal Concast 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

The Company was incorporated in May 2008. It has been promoted by Suresh B. Agarwal. The company took over the assets of a bankrupt company, Jalan Forgings Limited in Halol, Baroda. The company has refurbished the manufacturing facility and installed an electric furnace, AOD converter and continuous casting machines to manufacture mild steel billets stainless steel billets and ferro alloys. Apart from this company, the group owns 6 other companies which are engaged in manufacturing of Cast Billets, Forging Ingots and various steel bars.



Company Financial Performance

The company's total operating income decreased to Rs. 276.36 Crs in FY17 from Rs. 297 Crs in FY16 due to sluggish industry scenario. However the company has achieved total revenue of 371.31 Crs till 31.01.2018.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	Sep 08, 2016	May 04, 2016	2015
	Fund Based	Long Term	50.62	BWR BB+ Outlook-Stable Upgradation	BWR BB Outlook-Stable	BWR BB- Outlook-Stable	NA
	Non Fund Based	Short Term	12.00	BWR A4+ Upgradation	BWR A4	BWR A4	NA
	Total		62.62	INR Sixty Two Crores Sixty Two Lakhs only			

Status of non-cooperation with previous CRA (if applicable)-NA

Key Financial Indicators

Key Parameters	Units	2017A	2016A
Operating Revenue	Rs. Crores	276.36	297.00
EBITDA	Rs. Crores	12.16	11.17
PAT	Rs. Crores	1.43	-1.83
Tangible Net worth (Adjusted)	Rs. Crores	40.63	23.04
Total Debt (Adjusted)	Rs. Crores	76.02	71.42
Total Debt/TNW (Adjusted)	Times	1.87	3.10
Current Ratio	Times	1.29	1.14



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.