



Rating Rationale

Agarwal Trading Company

20 Sep 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.60 Crores of Agarwal Trading Company.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	6.60	Long Term	BWR B+ (Pronounced as BWR Single B Plus Outlook: Stable)
Total	6.60	INR Six Crore Sixty Lakh Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY18, publicly available information and information/clarifications provided by the proprietor.

The rating draws comfort from experienced proprietor, long track record of operations and improved turnover. The rating is however, constrained by below average financial risk profile and proprietorship constitution

Going forward, the ability of the Company to improve its scale of operations, profitability margins, gearing level, working capital efficiency & management of cash flows for servicing debt obligations and improvement in overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced proprietor and Long Track record of operations:** Proprietor Mr Ashish Kumar Agarwal has long experience in the same line of business and has gained thorough knowledge of the market. Firm was established in the year 1996 and since then it has successful track record of business operations.
- **Improved Turnover:** Turnover of the Firm improved to Rs 22.50 Cr for FY18 as against Rs 7.97 Cr for FY17.

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Credit Risks:

- **Below Average financial risk Profile:** Financial risk profile of the firm is characterized by High overall Gearing (TOL/TNW) of 11.94X for FY18 due to low tangible networth of Rs 0.36 Cr for FY18 with below benchmark coverage ratio such as ISCR of 1.20X for FY18. Profitability margins such as operating margin and PAT margin of 3.11% and 0.44% respectively for FY18 are considered thin due to trading nature of the business.
- **Proprietorship constitution:** Agarwal Trading Firm being a proprietorship firm is exposed to inherent risk of capital being withdrawn in times of personal exigencies..

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 Trading Company** 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 profitability margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues and profit margins show declining trend.

About the Company

Established in the year 1996, Agarwal Trading company based out of Bahraich, Uttar Pradesh is engaged in trading of Iron & Steel. Mr Ashish Kumar Agarwal is currently the proprietor of the firm and looks after day to day operations.

Company Financial Performance

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	7.97	22.50
EBITDA	₹ Cr	0.62	0.70
PAT	₹ Cr	0.05	0.10
Tangible Net worth	₹ Cr	0.26	0.36
TOL/TNW	Times	14.66	11.94
Current Ratio	Times	1.40	1.41

Rating History for the last three years

Instrument /Facility	Current Rating (2018)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
Fund Based Cash Credit	Long Term	6.60	BWR B+ Outlook: Stable	NA	NA	NA
Total		6.60	₹ Six Crore Sixty Lakh Only			

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

Hyperlink/Reference to applicable Criteria

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