

Brickwork Ratings revises the long term rating/ reaffirms the short rating for the Bank Loan Facilities of ₹.20.00 Crores of Agnivesh Enterprise.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (January-2019)	Present
Fund based	5.00	5.00	Long Term	BWR B Stable	BWR B+ Stable (Upgraded)
Non Fund Based	15.00	15.00	Short Term	BWR A4	BWR A4 (Reaffirmed)
Total	20.00	20.00	INR Twenty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION/OUTLOOK:

BWR has taken a Standalone view of Agnivesh Enterprise and essentially relied upon the audited financial results up to FY19, projected financials upto FY21 and information/clarification provided by the Firm's management.

The rating revision draws strength from modest scale of operation and financial risk profile. The rating also factors the established track record and support by group company “Nilkanth Concast Pvt Ltd.”

The rating is however constrained by vulnerability of profit margins due to adverse movements in steel prices and exposure to the inherent cyclicality in the steel industry. The firm is exposed to intense competition from a large number of players operating in North India and inherent risks arising from the proprietorship nature of the firm limiting financial flexibility.

BWR believes that business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.



Key Rating Drivers

Credit Strengths:

- **Established track record and support by the group company** - Agnivesh Enterprise was established as a proprietorship firm in 2016 by Mr. Agnivesh Ayachi. The Promoter belongs to the known steel group “Nilkanth” and has a strong family background having multiple businesses like DPS school, trading of steel etc. Thus, the firm’s established relationship with customers and suppliers helps secure business. The firm enjoys financial flexibility driven by significant value of land.
- **Moderate financial risk profile** : The firm’s revenue has marginally improved over the last two years. The firm has achieved a total operating income (TOI) of Rs. 85.78 crs in FY19 against Rs. 83.43 crs in FY18 on the back of better price realization. As per the management certified provisional financials for 9MFY20, the firm has achieved the gross sales of Rs. 68.29 Crs. The firm reported low gearing of 0.22 times in FY19 reflecting comfortable capital structure.

Credit risks:

- **High customer and geographic concentration risk** : The firm’s major revenue generates from the parent company “ Nilkanth Concast Pvt Ltd” and concentrated in the north part of India, which exposes to high customer and geographical concentration risks.
- **Vulnerability to profit margins due to fluctuating steel prices**: Profitability is likely to be susceptible to volatility in the prices of key raw materials. This is compounded by inability to fully pass on any rise in input prices to customers. The operating profit margins are thin, although marginally improved from 2.58% to 3.27% and net profit margins from 0.24% to 0.79% in FY18 & FY19 respectively. As a result, the debt protection metrics are weak indicated by ISCR at 1.02x in FY18 and 1.07x in FY19.
- **Risk associated with a proprietorship firm** – The firm is exposed to the risk of capital withdrawals, negatively impacting the capital structure and financial risk profile further limiting financial flexibility of the firm.

Rating sensitivities:

Positive: The firm’s ability to achieve significant growth in revenue and profitability, sustained improvement in capital structure, gearing and coverage indicators will be positive for ratings.

Negative: Further decrease in revenues & profit margins, deterioration in gearing and debt protection metrics, with further withdrawal of capital will be negative for the ratings.

LIQUIDITY POSITION- Stretched

The firm’s liquidity has remained stretched as indicated by low net cash accruals of Rs. 0.34 Crs in FY19 . The firm’s operation is highly working capital intensive, also, the receivables cycle has



remained elongated at 77 days in FY19 as compared to 51 days in FY18. The average working capital utilisation remains above 90% in the last six months ending January-2020. Current ratio is comfortable at 1.23 times in FY19.

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).

About the Firm:

Agnivesh Enterprise was incorporated in 2016 as a proprietorship firm by Mr. Agnivesh. C. Aiyachi for import and trading of iron and steel scrap and TMT bars. The company is located at Gandhidham, Kutch -Gujarat.

Rating History for the last three years

S.No	Facility	Current Rating (2020)			Rating History		
		Type	Amount (₹ Crs)	Rating	21Jan2019#	2018	27Dec2017
1	Fund Based	Long Term	5.00	BWR B+ Stable	BWR B Stable	Not Rated	BWR B Stable
2	Non Fund Based	Short Term	15.00	BWR A4	BWR A4	Not Rated	BWR A4
	Total		20.00	₹ Twenty Crores Only			

#Moved to “Not Reviewed” category on 22nd January, 2020 on account of unavailability of information.

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Crs	85.78	83.43
EBITDA	₹ Crs	2.81	2.15
PAT	₹ Crs	0.21	0.15
Total Debt/Tangible Net worth	Times	0.22	0.22
Current Ratio	Times	1.23	1.11

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	UCO Bank	Fund Based: Cash Credit	5.00	-	5.00
2	UCO Bank	Non Fund Based: Import LC	-	15.00	15.00
TOTAL					20.00

Total Rupees Twenty Crores Only.



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The rating is, however, constrained by, vulnerability of profit margins due to adverse movements in steel prices and exposure to the inherent cyclicity in the steel industry. The firm is exposed to intense competition from a large number of players operating in Gujarat and inherent risks arising from the partnership nature of the firm limiting financial flexibility. BWR believes that business risk profile will be maintained over the medium term. the 'Stable' outlook indicates a low likelihood of rating change over the medium term.