



RATING RATIONALE

18 June 2021

Agnivesh Enterprises

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 19.00 Crs. of Agnivesh Enterprises

Particulars

Facilities**	Amount (Rs.Crs.)		Tenure	Rating*	
	Previous	Present	Present	Previous (19 Feb 2020)	Present
Fund Based	5.00	0.50	Long Term	BWR B+ /Stable Upgrade	BWR B +/Stable Reaffirmation
Non Fund Based	15.00	18.50	Short Term	BWR A4 Reaffirmation	BWR A4 Reaffirmation
Grand Total	20.00	19.00	(Rupees Nineteen Crores Only)		

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

**Details of Bank Loan facilities, consolidation or instruments are provided in Annexure

RATING ACTION / OUTLOOK

Rating: Reaffirmed

The ratings continue to draw strength from experienced management and its moderate financial risk profile. The rating also factored in strong operational and financial synergies between the firm and flagship Company of the Nilkanth Group- “Nilkanth Concast Pvt Ltd”. The ratings, however, continue to remain constrained by the firm's low profit margins due to trading business & intense competition due to low entry barrier, high customer concentration risk and risk associated with a constitution as a proprietorship firm. Brickwork Ratings has considered the impact of the Covid-19 pandemic and the measures taken by the firm to mitigate the impact. Operating performance was impacted during H1FY21 owing to Covid19 pandemic and the resultant disruptions in operations.

The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. BWR expects that the entity's business risk profile will be maintained over the medium term. The outlook may be revised to Positive if the Company records significantly better-than-expected revenue and profitability and improved working capital management. The outlook may be revised to Negative if the Company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker financial risk profile or liquidity position.



KEY RATING DRIVERS

Credit Strengths:

- **Established track record and support by the Group companies :**

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.

- **Moderate financial risk profile :**

The firm has an adequate financial risk profile marked by moderate capital structure and average debt protection metrics. Financial risk profile is likely to remain moderate. Networth was healthy at Rs 44.27 crore as on March 31, 2020, while gearing was low at 0.20 times. Debt protection metrics were also reasonable reflected by ISCR of 1.13 times. Current ratio is adequate at 1.24times for FY20.

Credit Risks:

- **High customer and geographic concentration risk :**

The firm's major revenue is generated from the flagship company of the group- “ Nilkanth Concast Pvt Ltd” and concentrated in the north part of India, which exposes high customer and geographical concentration risks.

- **Low operating margin due to trading business intense competition due to low entry barrier :**

The firm faces intense competition in a highly fragmented steel trading industry due to low entry barriers, limiting its pricing flexibility. Additionally, given the trading nature of business, the margins have remained thin over the years

- **Risk associated with a constitution as 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.

ANALYTICAL APPROACH - Standalone

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 SENSITIVITIES

Positive:

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

Negative:

Further decrease in revenues & profit margins, deterioration in financial risk profile or liquidity profile resulting from withdrawal of capital will be negative for the ratings.

LIQUIDITY INDICATORS - Stretched

The firm's liquidity has remained stretched despite improved net cash accruals of Rs. 0.40 Crs in FY20 against Rs. 0.34 Crs in FY19. Current ratio is comfortable at 1.24times in FY20. The firm's operation is highly working capital intensive due to the trading nature of the business. The

firm's working capital utilization is high as working capital limits are almost utilised fully during last 12 months. However, funding support from promoters, healthy network and infusion of Unsecured loans would support the liquidity profile.

ABOUT THE ENTITY

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.

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY 19-20 (Audited)	FY 18-19 (Audited)
Operating Revenue	Rs.Crs.	87.57	85.78
EBITDA	Rs.Crs.	2.26	2.81
PAT	Rs.Crs.	0.28	0.21
Tangible Net Worth	Rs.Crs.	44.27	44.63
Total Debt/Tangible Net Worth	Times	0.20	0.22
Current Ratio	Times	1.24	1.23

KEY COVENANTS OF THE FACILITY RATED

NA

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY

NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Facilities	Current Rating (2021)			2021 (History)		2020		2019		2018	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	0.50	BWR B+/Stable (Reaffirmation)	NA	NA	19Feb 2020	BWR B+/Stable (Upgrade)	21Jan2019	BWR B/Stable (Reaffirmation)	NA	NA
Non Fund Based	ST	18.50	BWR A4 (Reaffirmation)	NA	NA	19Feb 2020	BWR A4 (Reaffirmation)	21Jan2019	BWR A4 (Reaffirmation)	NA	NA
Grand Total		19.00	(Rupees Nineteen Crores Only)								

Press Release, as on 17Feb2021

Advisory for delay in periodic review was published on 17 Feb 2021



COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria

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

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Agnivesh Enterprises

ANNEXURE-I

Details of Bank Facilities rated by BWR

SL.No.	Type Of Facilities	Long Term(Rs.Crs.)	Short Term(Rs.Crs.)	Total(Rs.Crs.)
1	Cash Credit - Sanctioned	0.50	-	0.50
2	Inland Letter of Credit (ILC) - Sanctioned	-	18.50	18.50
Total		0.50	18.50	19.00
TOTAL (Rupees Nineteen Crores Only)				

ANNEXURE-II

ANNEXURE-III



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