



## Rating Rationale

21Jan2019

### Agnivesh Enterprises

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 20.00 Crores of Agnivesh Enterprises...**

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (27Dec2017)	Present
Fund based	5.00	5.00	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable	BWR B (Pronounced as BWR Single B s) Outlook: Stable Reaffirmed
Non Fund Based	15.00	15.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
<b>Total</b>	<b>20.00</b>	<b>20.00</b>	<b>INR Twenty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

#### Rating: Reaffirmation

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon the audited financial results upto FY18, Projected/estimated financials upto FY20, the information and documents provided by the management, as well as the publicly available information.

The rating draws comfort from experienced management steel industry, increased operation and



low gearing. The rating constraints weak debt protection metrics due to thin profitability, stretched liquidity and vulnerability being a proprietorship constitution.

### Description of Key Rating Drivers

#### Credit Strengths :

- **Increased Operation :** Firm's Sales has been increased to Rs. **83.51 Crs in FY18** as compare to Rs. 64.92 Crs in FY17. It has noticeably surpassed the projection, which taken into consideration by BWR at the time of last rating. In FY19, the Firm has achieved the sale of Rs. 60.59 Crs upto October, 2018.
- **Low gearing:** Gearing is low with Debt/TNW at 0.22x in FY18 & TOL/TNW at 0.87x. TNW is Rs. 44.47 Crs which includes the agriculture land of Rs. 44 Crs.
- **Locational advantage :** The firm is located at Gandhidham, near to Kandla Port, Kutch-Guajarat, which is the ideal location for import and export business.

#### Credit Risk:

- **Weak Debt protection metrics:** Debt protection metrics are weak with DSCR at 1.07x and ISCR at 1.02x in FY18 due to thin profitability. Profit margins are thin on account of fluctuation in steel prices. OPM has increased from 1.53% to 2.58% and NPM has marginally decreased from 0.20% to 0.17% in FY17 & FY18 respectively due to financial charges .
- **High customer concentration risk:** The firm generates 25% to 30% of its revenue from Nilkanth Concast Pvt Ltd since last two years, which shows the high customer concentration risk.
- **Risks related proprietary concern :** The firm carries a risk of withdrawal of the capital being a proprietorship.
- **Vulnerability to profit margins due to fluctuating steel prices and intense competition:** 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 due to intense competition. Furthermore, demand for steel products is linked to the construction and infrastructure and selected segments, which are cyclical.

**Liquidity Profile :** The current ratio of the company stood at 1.11 times in FY18 as against 1.24 times in FY17. The firm had short term loans and advances of Rs. 4.67 Crs and receivable O/s of Rs. 23.22 Crs as of 31st March, 2018. The working capital cycle of the company has remained comfortable on account of receivable cycle of 51 days and inventory levels of 28 days coupled with relatively high utilization of working capital facility.

### 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 **Agnivesh Enterprises** 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 Firm

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

### Financial Performance

The firm has achieved the TOI of Rs. 83.51 Crs with a net profit of Rs. 0.15 Crs for FY18 against TOI of Rs. 64.92 Crs with a net profit of Rs. 0.13 Crs in FY17. As per management certified provisional financials upto October, 2018 the firm has achieved the turnover of Rs. 60.59 Crs.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	27Dec2017	2016	2015
1	<b>Fund Based:</b> Cash Credit	Long Term	5.00	<b>BWR B (Pronounced as BWR Single B) Outlook: Stable Reaffirmed</b>	BWR B (Pronounced as BWR Single B) Outlook: Stable	Not Rated	Not Rated
	<b>Non Fund Based:</b> Import Letter of Credit	Short Term	15.00	<b>BWR A4 (Pronounced as</b>	BWR A4	Not Rated	Not Rated

2				<b>BWR A Four) Reaffirmed</b>	(Pronounced as BWR A Four)		
	<b>Total</b>		<b>20.00</b>	<b>₹ Twenty Crores Only</b>			

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

**Key Financial Indicators**

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ in Crores	83.51	64.92
EBITDA	₹ in Crores	2.15	0.99
PAT	₹ in Crores	0.15	0.13
Tangible Net worth	₹ in Crores	44.47	44.28
Total Debt/Tangible Net worth	Times	0.22	0.11
Current Ratio	Times	1.11	1.24

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website



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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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