

RATING RATIONALE

Agsons Agencies India Pvt. Ltd.

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of Rs 120 Crs of Agsons Agencies India Pvt. Ltd.

Particulars :

Facility**	Amount (Rs in Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2020)	Present
Non Fund Based	120.00	120.00	Short Term	BWR A4 Issuer Not Cooperating	BWR A4 (Reaffirmation)
Total	120.00	120.00	Rupees One Hundred Twenty Crores Only		

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

** Details of bank facilities are provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed short-term rating at BWR A4 for the bank loan facilities of Agsons Agencies India Pvt. Ltd. (AAIPL or the company)

The rating reaffirmation continues to factor in the extensive experience of the management in the metals trading business, equity infusion in FY20 to maintain the required liquidity, and moderate scale of operations. However, the ratings are constrained by weak interest service coverage ratio (ISCR), declined profit margins, stretched operating cycle, customer-supplier concentration risk, besides metal price fluctuation risk and competition.

KEY RATING DRIVERS

BWR has principally relied on audited financials upto FY19, provisional financials for FY20, projections upto FY22, publicly available information and information/clarification provided by the management.

Credit Strengths:

- **Experienced Management** : The management of the company are well experienced in the same line of business i.e Mr RC Agarwal(CMD) has more than 5 decades of experience. Mr Ravi Agarwal & Mrs Rakhi Agarwal who have more than 2 decades of experience in the line of metal trade industry.
- **Infusion of equity** : The company had infused equity (capital + premium) of approximately Rs 5 Crs in FY20 which helped the company to maintain required liquidity in the business operations.



- **Moderate scale of operations:** The topline of the company has grown consistently over the years with CAGR of 20.36 % over the last 3 years. Total operating income (TOI) has improved from Rs 337.15 Crs in FY19 to Rs 343.37 Crs in FY20 (provisional). However, there is a decline in the 5MFY21 due to Covid-19 induced slowdown, wherein the company achieved sales of Rs 61.07 Crs.

Credit Risks:

- **Weak ISCR :** The company has weak debt protection metrics, having ISCR of 1.01x in FY20 (provisional) against 1.13x in FY19.
- **Declined profit margins :** The entity has low profit margin. Net profit margin declined from 0.33% in FY19 to 0.05% in FY20 (provisional). Operating margins have declined from 2.47% in FY19 to 2.01% in FY20(provisional) due to adverse fluctuation in metal price and foreign currency exchange rate.
- **Operating Cycle :** Conversion cycle stretched to 83 days in FY20 (provisional) from 67 days in FY19 due to elongated receivables period in FY20 (provisional) and receivables position likely to remain stretched for short term to medium term.
- **Concentration risk :** Top 5 customers contribute more than 60% of sales and one of the suppliers contributes more than 50% of the purchases in FY20. Low sales and supplies from key customers and suppliers could adversely affect the supply chain of the firm.
- **Metal price fluctuation risk and competition :** The major raw material includes copper and other non ferrous metals; the prices of these are volatile, depending on the demand-supply situation. Any increase in the price, if not passed through, may adversely affect the firm's profit margins, besides competition from peers may further affect profit margins.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the detailed Rating Criteria hyperlinked below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: BWR may revise the ratings upwards if there is improvement in profit margins, debt protection metrics, debtors period, along with improvement in liquidity and credit metrics.

Negative: BWR may revise the ratings downwards if the company achieves notably lower revenue than projected, and key factors such as profit margins, debt protection metrics, liquidity and the receivables collection period of the company deteriorate.

LIQUIDITY POSITION (Stretched)

The company had low cash accruals (depreciation + profit after tax) of Rs 0.52 Crs in FY20 (provisional). However, the company has no fixed term liability which provides some cushion against low cash accruals. It has cash and cash equivalents of Rs 0.59 Crs at the end of March,

2020. Limit utilization (fund based and non fund based) is full and excessive utilization over sanctioned limits is backed by 100% fixed deposits.

COMPANY PROFILE

Agsons Agencies India Pvt. Ltd. was incorporated in 1974 with its registered address at Delhi. The company is engaged in import, export and trading of non-ferrous metal mainly copper, metal scrap, metal alloys. The directors of the company are Mr. RC Agarwal(CMD), Mr Ravi Agarwal, Ms Rakhi Agarwal and Ms Usha Gupta.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19	FY20
Result Type		Audited	Audited	Provisional
Total Operating Income	Rs. in Crs	232.00	337.15	343.37
OPBDIT	Rs. in Crs	6.26	8.34	6.90
PAT	Rs. in Crs	0.81	1.12	0.18
Tangible Net Worth (Analyzed)	Rs. in Crs	26.72	25.10	34.32
Total Debt/TNW (Analyzed)	Times	3.29	3.25	3.69
Current Ratio	Times	1.20	1.15	1.16

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY : CRISIL moved the rating to Issuer Non Cooperation on 19 Aug 2019

RATING HISTORY FOR LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facilities Availed	Current Rating (Oct, 2020)^			(Rs.Crs)												
	Tenure	Amount (In Crs)	Rating	2020			2019		2018	2017						
Bank Loan Non Fund Based (NFB)	Short Term	120	BWR A4 (Reaffirmation)	03.07.2020 <table border="1"> <tr> <td>NFB</td> <td>120</td> <td>BWR A4 Issuer Not Cooperati ng (Downgra de)</td> </tr> </table>			NFB	120	BWR A4 Issuer Not Cooperati ng (Downgra de)	10.05.2019 <table border="1"> <tr> <td>NFB</td> <td>120</td> <td>BWR A4+</td> </tr> </table>		NFB	120	BWR A4+	-	-
NFB	120	BWR A4 Issuer Not Cooperati ng (Downgra de)														
NFB	120	BWR A4+														
Total		120	Rupees One Hundred Twenty Crores Only													

^Rating was moved to RNR on 11 May,2020 and Rating Advisory on 20 May,2020

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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ANNEXURE I

Agsons Agencies India Pvt. Ltd. Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [Rs in Crs]	Short Term [Rs in Crs]	Total [Rs in Crs]
1	UBI	ILC/FLC	-	120.00	120.00
TOTAL					120.00

Total Rupees One Hundred Twenty Crores Only



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About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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.

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.