

## Rating Rationale

Astmangal

16 May 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.90 Crores of Astmangal.**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
<b>Fund based</b>			
Cash Credit (Working Capital)	<b>9.90</b>	<b>Long Term</b>	<b>BWR BB-</b> (BWR Double B minus) <b>(Outlook:)</b>
<b>Total</b>	<b>9.90</b>	<b>INR Nine Crores and Ninety Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

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

BWR has essentially relied upon the audited financial statements of Astmangal upto FY17, provisional financials of FY18, projected financials upto FY19, publicly available information and clarification provided by the firm's management.

The rating derives strength from the promoter's experience, improved profitability, moderate coverage ratios and adequate liquidity. However, the rating is constrained by limitation of a proprietorship firm, high gearing, moderate scale of operations and geographical concentration.

Going forward, the ability of the organisation to improve the scale of operations, profitability, liquidity profile, capital structure by infusion of capital and timely debt servicing will be the key rating sensitivity.

### Description of Key Rating Drivers

- **Credit Strengths:**

#### **Promoter's Experience:**

The promoters have an extensive experience of over two decades in the industry, high level of unsecured loans showcases the ability of the promoters to infuse capital into the business when required.



### **Improved Profitability**

The profit margins have been low however there has been an improvement in profitability with net profit margin in FY17 at 0.89% from 0.17% in FY16 and operating profit margins at 3.21% in FY17 as compared to 1.33% in FY16.

### **Moderate Coverage Ratio & Adequate Liquidity**

Moderate debt coverage is indicated by Interest Coverage Ratio at 1.43 times in FY17 coupled with adequate liquidity as indicated by current ratio of 3.62 times in FY17.

- **Credit Risks:**

#### **Limitation of a proprietorship firm**

Astmangal is a proprietorship firm, inherent limitations of the constitution being a proprietorship firm in regards to the withdrawal of capital.

#### **High Gearing**

The firm has a high gearing ratio of 5.00 times; which is partially subdued by the presence of unsecured loans.

#### **Modest Scale of operations in an intensively competitive industry**

The firm has a long standing track record of operations, despite, the scale of operations and profitability is moderate. There exists inherent vagaries of the industry and is highly competitive as well as fragmented in nature.

#### **Geographical Concentration**

The firm operates only in the state of Gujarat, India which exposes it to the risks associated with geographical concentration.

#### **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 **Astmangal** 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 Company**

Astmangal is a proprietorship firm established in the year 1998. The firm is promoted by Mr. Yagnesh Gandhi. The firm is situated in Ahmedabad Gujarat.



Astmangal's line of business is trading of gems and jewellery mainly of gold chains. Most of their revenue is achieved from trading business, while for the special requirements the manufacturing is outsourced via job work. The firm is highly active while participating in jewellery shows and exhibitions.

### Company Financial Performance

In FY17 the company has earned a revenue of Rs 79.22 cr with a PAT of Rs 0.71 cr vis-a-vis Rs 120.89 cr & Rs 0.21 cr in FY16. In FY17, the company reported an operating profit margin of 3.21% and net profit margin of 0.89%

### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>	Long Term	9.90	<b>BWR BB- (Outlook: Stable)</b>	NA	NA	NA
	<b>Total</b>		<b>9.90</b>	<b>₹ Nine Crores and Ninety Lakhs Only</b>			

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

### Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	79.22	120.89
EBITDA	₹ Cr	2.54	1.61
PAT	₹ Cr	0.71	0.21
Tangible Net worth	₹ Cr	2.93	2.34
Total Debt/Tangible Net worth	Times	5.00	5.42
Current Ratio	Times	3.62	2.92

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)



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

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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, 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.

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