

Rating Rationale

Avant Garde Re Energy Private Limited

29 Jul 2019

Brickwork Ratings assigns a rating of “BWR BBB” (Outlook: Stable) for the Bank Loan facility aggregating to Rs. 40.00 Crores of Avant Garde Re Energy Private Limited (“AGREPL” or “Company”)

Particulars

Facility#	Amount (Rs in Crs)	Tenure	Rating*
Fund Based Cash Credit	40.00**	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable Assigned
Total	40.00	INR Forty Crores Only	

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

** Intraday limit of Rs 80 Crs

#Details of bank loan facilities are available in Annexure I

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results upto FY18, unaudited financial results of 6MFY19, publicly available information and information/clarifications provided by the company's management.

The rating factors, *inter alia*, the experienced management, established track record in the financial services industry, comfortable net worth and nature of cash credit facility being rated, which is backed by pledge of Central & State Government Securities, PSU bonds, corporate bonds with a low risk rating besides a margin of at least 7.50%. The rating remains constrained by the susceptibility of the revenues and profitability to volatility in capital markets, small scale of operations and riskier nature of unsecured loans given to customers.

Going forward, the ability of the company to increase its income and profit levels, maintain diversification in its investment portfolio, effectively manage its proprietary investment and trading activities and timely recover loans will remain key rating sensitivities.

Key Rating Drivers

Credit Strengths

Experienced Management: The company was incorporated in 1985 and has experience of over 3 decades in financial services. The promoter director, Mr. Vivek Agarwal has vast experience in financial market and is actively involved in the operations of the company.

Comfortable Net Worth: The company has a comfortable net worth of Rs 99.20 Crs as on March 31, 2018. There has been a consistent increase in net worth due to accumulation of profit earned over the years. The company has availed cash credit limits from banks against 100% pledge of government & debt securities whose utilisation is high at intraday level, with nil outstanding at the end of the year, resulting in negligible gearing as on March 31, 2018.

Credit Challenges

Small Scale of Operations: Though the company has a long track record of operations in financial services, the income and profit levels continue to be at lower levels. Total income for FY18 stood at Rs 8.98 Crs as against Rs 9.51 Crs in the previous year. The net profit stood at Rs 6.33 Crs during FY18 as against Rs 6.59 Crs in previous year.

Volatile Nature of Industry: The income and profitability of AGREPL is exposed to volatility in capital markets and other asset classes which can exhibit periodic volatility and impact income. Any loss in the equity or derivative trading activities and any loss from current and non-current investments may adversely impact the profit margins.

Riskier Nature of Unsecured Loans: The company provides short term loans and advances to corporates which are unsecured in nature and any delay or default in these loans may significantly erode the profit margins. The total loans and advances stood at Rs 37.94 Crs as on March 31, 2018. This has significantly increased to Rs 63.81 Crs as on Sep 30, 2018.

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). BWR has evaluated the risk profile of AGREPL on standalone basis.

Rating Outlook: Stable

BWR believes AGREPL's 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 or profit margins decline or if there is a delay in recovery of loans given by the company. BWR expects the lender to continuously monitor the underlying securities for their credit exposure.

About the Company

Avant Garde Re Energy Private Limited (AGREPL) is a Kolkata based RBI registered NBFC which was incorporated in 1985. The company is part of Avant Garde Group of Kolkata. The company was initially incorporated for financing various infrastructure development projects. Currently the company engages in equity & debt trading activities, investment in equity and debt instruments and giving unsecured loans to corporates.

Financial Performance

The company has reported total income of Rs 8.98 Crs and net profit of Rs 6.33 Crs during FY18, as against Rs 9.51 Crs and Rs 6.59 Crs respectively in previous year. The net worth has increased to Rs 99.20 Crs as on March 31, 2018 as against Rs 92.95 Crs as on March 31, 2017.

Key Financials :

Key Financial Indicators	Unit	FY17 Audited	FY18 Audited
Total Operating Income	Rs in Crs	9.51	8.98
Net Profit	Rs in Crs	6.59	6.33
Net Worth	Rs in Crs	92.95	99.20
Total Debt	Rs in Crs	Nil	Nil
Total Debt / Net worth	In times	Nil	Nil
Total Assets	Rs in Crs	93.64	99.52

Rating History :

Sl. No.	Facility	Amt Rs Crs	Current Rating (29 July 2019)	Rating History	
				2018	2017
1	Cash Credit	40.00**	BWR BBB Outlook: Stable (Pronounced as BWR BBB)	NA	NA
	Total	40.00	INR Forty Crores Only		

** Intraday limit of Rs 80 Crs

Status of non-cooperation with previous CRA : NA

Any Other Comments: NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)

Analytical Contacts	Investor Contacts
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**Annexure I
Bank Loan Facilities**

Facility	Tenure	Amount (Rs. Crs)
Cash Credit	Long Term	40.00**
TOTAL		40.00 (INR Forty Crores Only)

** Intraday limit of Rs 80 Crs



For print and digital media

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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 Investors queries can be sent to 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.

DISCLAIMER

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