

Rating Rationale

Brickwork Ratings assigns ‘BWR BB-’ & ‘BWR A4’ for the Bank Loan facilities aggregating ₹ 9.95 Cr of Avdesh Steel works Private Limited

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of ₹ 9.95 Cr of Avdesh Steel works Private Limited (“ASWPL or “the Company”):

Bank Facilities	Sanctioned Limits(₹ .Cr.s)	Tenure	Rating
Cash Credit (Fund Based)	3.80	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook:Stable
Term Loan (Fund Based)	4.35		
LC (Non-Fund Based)	0.90	Short Term	BWR A4 (Pronounced as BWR A Four)
BG (Non-Fund Based)	0.90		
Total	9.95	INR Nine Crore and Ninety Five Lakhs only	

Note: The term loan has not been fully disbursed by the bank.

ASWPL, being a new company which has commenced commercial operations in February ,2015, BWR has principally relied upon the detailed project report and perused the projected financials up to FY18, publicly available information and information/clarifications provided by the company.

The rating draws strength from the strong industry experience of the management, the locational advantages of the plant and the demand prospects for the products. The rating is, however, constrained by the lack of track record of the company, susceptibility of profitability to volatility in raw material prices, intense competition in the sector and working capital intensive operations of the company.

Background:

Avdesh Steel Works Pvt. Ltd which is into the manufacturing of Ingot from Scrap is a 100% subsidiary of Asutosh Metal Pvt Ltd. The company has started its commercial production on 25th -Feb 15 with a production capacity of 12000TPA to manufacture mild steel ingots.

Management:

The company was promoted by Mr.Chandrakant Jain and Mr.Piyush Jain who are actively involved in business with around 25 years of experience in the iron and steel industry.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Currently, they are also Directors in the parent company, Ashutosh Metal Private Limited which is engaged in similar line of business.

Financial Performance:

Commercial operations have commenced since February, 2015. The promoters have infused Rs.3.00 Cr till date towards the project. ASWPL expects to report a Net Income of Rs.29.28 Cr for FY16 (first year of operations) with an EBITDA margin of 6.83% and Net Margin of 1.34%.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the company's ability stabilize its operations, ensure timely debt servicing and achieve projected revenue and profitability would be the key rating sensitivities.

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