

Rating Rationale

Brickwork Ratings assigns “BWR B” for the Bank Loan facilities aggregating to ₹ 8 Cr of M/s Avni Steels

Brickwork Ratings has assigned the following **Rating¹** for Bank Credit facilities of M/s Avni Steels. (AV or the ‘Firm).

| Facility | Existing Limits (₹ Cr) | Tenure | Rating |
|-----------------------------|---------------------------|------------------------------|---|
| Cash Credit (Fund Based) | 8.00 | Long Term | BWR B (Pronounced as BWR Single B) Outlook: Stable |
| Total | 8.00 | INR Eight Crores only | |

BWR has essentially relied upon audited financial results of FY13, FY14, FY15, provisional financials for FY16 and projected financials for FY17, publicly available information and information/ clarifications provided by the management of the firm.

The rating has factored in, inter alia, the promoters’ experience in the industry, improvement in revenue in previous financial year and moderate working capital cycle with improvement in receivable days. However, the rating is constrained by a moderate scale of operations, low tangible net worth, weak debt protection metrics, volatility associated with raw material prices and highly competitive nature of the industry.

Background:

Avni Steels is a proprietorship concern managed by Mr. Ajay Kumar Garg. The firm was established in the year 2000 and it is based at Ghaziabad, U.P. The firm is involved in trading of iron and steel with sales of TMT bars, coils and plates (HR, CR etc). The firm has two owned warehouses at Loha Mandi Gaziabad, U.P.

Financial Performance:

Avni Steels’ Total Operating Income increased from Rs. 77.23 Cr in FY15 to Rs. 92.27 Cr in FY16. Operating Profit has declined from Rs. 1.61 Cr in FY15 to Rs. 1.56 Cr in FY16. Operating Profit Margin declined from 2.08 % in FY15 to 1.69 % in FY16, while Tangible Net Worth improved marginally from Rs. 3.47 Cr in FY15 to Rs.3.83 Cr in FY16, through retention of profits in the business. Gearing Ratio improved from 3.62 times in FY15 to 3.17 times in FY16, Interest Service Coverage Ratio has marginally declined from 1.23 in FY15 to 1.15 times in FY16

Rating Outlook:

Avni Steels’ performance over the next year is expected to be stable. Going forward, the firm’s ability to increase revenues from its core operations, register consistent growth in turnover with an increase in profitability margins, retain and infuse capital to manage its gearing,

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

diversification of customer base and geographical coverage, efficiently manage working capital will be the key rating sensitivities.

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