



Rating Rationale

Awadh Enterprise

8 Jun 2018

Brickwork Ratings assigns rating for the long term and short term bank loan facilities of Awadh Enterprises.

Particulars

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	Rating Assigned#
Fund Based Cash Credit(CC)	*10.25	Long Term	BWR BB- (pronounced as BWR Double B Minus) (Outlook : Stable)
Non Fund Based BG	**5.00	Short Term	BWR A4 (pronounced as BWR A Four)
Total	Total Rs 15.25 Cr (INR Fifteen Crores and Twenty Five Lakh Only)		

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

* CC of Rs 4.00 Cr is proposed limit under total CC limit of Rs 10.25 Cr.

** 100% Interchangeability from Non fund based BG to Fund based Cash Credit.

BWR has assigned Long Term rating of BWR BB-(Outlook : Stable) and Short Term rating of BWR A4 for loan facilities of Awadh Enterprises.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the ratings of *Awadh Enterprises* (AE or 'the firm), BWR has factored in the partners' business experience, scale of operations, solvency position of the firm, profit margins, cash conversion cycle and its constitution. The rating is constrained by low partners' capital which results in high gearing and weak solvency position, deteriorated conversion cycle, besides limitations of its constitution as a partnership firm. The rating, however, derives comfort from the vast business experience of the partners, good order book position improved turnover and profit margins.

Key Rating Weaknesses

- **Solvency position** : Firm has high gearing ratios (TOL/TNW), deteriorated from 2.35X in FY17 to 5.18X in FY18 provisional owing to firm's low net worth of Rs 2.81 Cr in FY18 provisional.

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- **Cash Conversion Cycle** : Conversion cycle has deteriorated from 45 days in FY17 to 73 days in FY18 provisional financials.
- **Constitution of firm** : Being a proprietorship firm, is exposed to inherent risk of the partners' capital being withdrawn at a time of personal contingency, risk of dissolution and restricted avenues to raise capital which could prove a hindrance to its growth.

Key Rating Strengths

- **Improved turnover** : Total operating income has improved from Rs 18.15 Cr in FY16 to Rs 55.06 Cr in FY17 and the firm achieved a turnover of Rs 60.82 Cr in FY18 (unaudited).
- **Improved profit margins** : Firm's net profit margin has improved to 1.16% in FY18 provisional financials and operating profit margins has improved from 3.33% in FY17 to 4.83% in FY18(unaudited).
- **Established relationship and order book position** : The firm has established strong business relationships with companies like Ultratech Cement Limited, Jaiprakash Associates Limited, India Glycol Limited for bulk supply of coal.

Analytical Approach:

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 Rating Criteria hyperlinked below.

Rating Outlook: Stable

BWR believes the *Awadh Enterprises*' 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 Firm

M/s Awadh Enterprises, established in 2013, as a proprietorship firm, has its registered office at Satna, Madhya Pradesh. It is being managed by its proprietor, Mr. Amit Agarwal. It is engaged in bulk trading of coal.

Company's Financial Performance

Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Net Sales/Revenue	Rs. Crores	18.15	55.06
EBIDTA	Rs. Crores	1.24	1.83
PAT	Rs. Crores	0.26	0.48
Tangible Networth	Rs. Crores	2.29	2.48
TOL : TNW Ratio	Times	3.18	2.35
Current Ratio	Times	1.42	2.26

Total operating income has improved from Rs 18.15 Cr in FY16 to Rs 55.06 Cr in FY17, and as per confirmation from firm, turnover achieved is Rs 60.82 Cr as per FY18 provisional financials.

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY 2018)			Rating History	
		Type	Amount (Rs Crs)	Rating	FY2017	FY2016
1	*CC	Long Term	10.25	BWR BB- (pronounced as BWR Double B Minus) (Outlook : Stable)	NA	NA
2	**BG	Short Term	4.00	BWR A4 (pronounced as BWR A Four)		
	Total	Total Rs 15.25 Cr (INR Fifteen Crores and Twenty Five Lakh Only)				

* CC of Rs 4.00 Cr is proposed limit under total CC limit of Rs 10.25 Cr.

** 100% Interchangeability from Non fund based BG to Fund based Cash Credit.

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

Any other information - NIL

Hyperlink/Reference to applicable Criteria

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



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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, 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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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