



Rating Rationale

Tridev Cement & Steel Private Limited

28 Jan 2019

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 8.00 Crores of Tridev Cement & Steel Private Limited.

Particulars

Facility (Fund Based)	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2017)	Present
Overdraft	8.00	8.00	Long Term	BWR B (Pronounced as BWR Single B) Outlook: <u>Stable</u>	BWR B+ (Pronounced as BWR Single B plus) Outlook: <u>Stable</u> Upgraded
Total	8.00	8.00	INR Eight Crores Only		

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

Rating Action: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities

Brickwork Ratings has principally relied upon the audited financial results upto FY 2018, projections upto FY 2020, publicly available information and information/clarifications provided by the management of the company.

The rating upgradation has considered, long standing experience of the promoters, increased revenue, and diversified operations. The rating is however, constrained by weak financial risk profile, high geographic concentration risk and highly fragmented nature of industry and intense competition.

Going forward, constant increase in revenue, moderate financial risk profile, and the company's ability to service the interest part would be the key rating sensitivities.

Credit Strengths

- ◆ **Long standing experience of the promoters:** The company is engaged in manufacturing of iron and steel wire and also trades in edible oils, scraps, etc. and has an operational track record of over two decades. Moreover, the company's promoters have several decades long experience in the line of business.



- ❖ **Increased revenue:** The company's total operating income is continuously increasing, in FY 2016 the company reported the total operating income of INR 36.43 crores which has increased by 14.08% to INR 41.56 crores in FY 2017 and has further increased by almost 19% to INR 49.25 crores in FY 2018.
- ❖ **Diversified operations:** The company has diversified product profile as it manufactures H.B Wire and also trades in M.S Wire, M.S Steel scrap material, wire rod, wire rod cenvat, refined palmolein oil, empty tins, wooden scrap and old bags.

Credit risks

- ❖ **Weak financial risk profile:** Gearing and overall gearing is high with Total Debt/ TNW and TOL/TNW at 5.00x and 4.97x respectively in FY 2018 although it has improved from FY 2017 where the gearing ratios were at 6.18x and 6.70x respectively which is due to decreased debt burden. The debt protection metrics is also weak as marked by DSCR and ISCR of 1.37x and 1.20x respectively in FY 2018.
- ❖ **High geographic concentration risk:** The company's sale is highly concentrated within Allahabad, Uttar Pradesh over the last many years. However, the company has a demonstrated track record of supplying to particular customers of Allahabad region.
- ❖ **High fragmentation and intense competition:** The company also faces the risk of high fragmentation due to low entry barriers resulting into presence of many small players and the risk of intense competition which limits the company's flexibility of bargaining with its suppliers and customers.

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 **Tridev Cement & Steel Private Limited** 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

Incorporated in 1995, Tridev Cement and Steel Pvt Limited is promoted and managed by Mr. Sandeep



Arora, Managing Director and Mr. Abhinav Arora, Director. The company is primarily engaged in manufacturing and trading of H.B Wire. The company is also engaged in trading of M.S Wire, M.S Steel scrap material, wire rod, wire road cenvat, refined palm olein oil, empty tin, wooden scrap and old bags.

Liquidity Position

The firm's liquidity is supported by cash and cash equivalents of INR 0.01 crores in FY 2018. The total amount of fund based working capital facility of INR 8.00 crores has been fully utilized. The current ratio and quick ratio of the firm is 1.09x and 1.04x respectively in FY 2018 are considered inadequate.

Company Financial Performance

Key Parameters	Units	FY 2018	FY 2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	49.25	41.56
EBITDA	₹ Cr	1.30	0.21
PAT	₹ Cr	0.30	0.27
Tangible Net worth	₹ Cr	1.76	1.46
TOL/TNW	Times	4.97	6.70
Current Ratio	Times	1.09	1.04

Rating History for the last three years

S.No	Facility	Current Rating (Jan 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Overdraft	Long Term	8.00	BWR B+ (Pronounced as BWR Single B plus) Outlook: <u>Stable</u> Upgraded	NA	BWR B (Pronounced as BWR Single B) Outlook: <u>Stable</u>	NA
	Total		8.00	₹ Eight Crores Only			

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



Any other information: NA

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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.



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