

## Rating Report

### Brickwork Ratings assigns ‘BWR BB/ A4’ for the Proposed Bank Loan Facilities amounting to Rs 50.00 Crores of Adarsh Global Trades & Services Pvt Ltd

Brickwork Ratings has assigned ratings for the proposed bank loan facilities of Rs 50.00 Crores (Rupees Fifty Crores Only) of **Adarsh Global Trades & Services Pvt Ltd** (“AGTSPL” or “the Company”) as follows:

Facilities	Proposed Limits (Rs Crs)	Tenure	Rating
<b>Fund based:</b> OCC	10.00	Long term	<b>BWR BB</b> [Pronounced BWR Double B] <b>(Outlook: Stable)</b>
<b>Non Fund based:</b> FLC	40.00	Short term	<b>BWR A4</b> [Pronounced BWR A Four]
<b>Total</b>	<b>50.00</b>	<b>INR Fifty Crores Only</b>	

^Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings assigned.

BWR has principally relied upon the audited financial results upto FY16, projected financials of Adarsh Global Trades & Services Pvt Ltd upto FY18, publicly available information and information/clarifications provided by the Company.

The ratings factor, inter alia, the industry experience of the promoters, healthy order book and average financial risk profile marked by adequate debt protection metrics and comfortable gearing levels. The ratings, are however, constrained by the nascent stage of business operations, nature of the Company’s operations where trading activities contribute the entire Company’s revenues, weak profitability levels, high customer and supplier concentration risk and volatility of raw material prices in an intensely competitive trading industry.

As the rating is for ‘proposed’ bank loan facilities, BWR has assumed standard terms & conditions that lenders stipulate for such loans, including, but not limited to, collateral, security & margins, and commencement of repayment after reasonable moratorium period.

## **Background**

Incorporated in July 2012 at Hyderabad, Adarsh Global Trades & Services Pvt Ltd is engaged in the wholesale trading of Iron & Steel Products, coal, Metals, Minerals and agro products. The Company's marketing and administrative office is in Visakhapatnam. The Company has plans to start operations in International Merchanting Trade, where the Company will act as a merchant/ intermediary residing in India and facilitating merchant transaction involving shipment of goods from one foreign country to another foreign country.

## **Management Profile**

Mr. G. Bhaskara Rao is the Managing Director and Mr G Ramjee is the Director. Both the Directors are experienced in the trading industry.

## **Credit risk**

### **Thin overall profitability of the business**

PAT and operating margins were low at 0.11% and 1.37% respectively for FY16, due to trading nature of activity.

### **Higher customer concentration risk**

Around 95% of Company's sales during FY16 was made to Hyderabad based BS Ltd, which indicates higher customer concentration risk. Going forward, the Company's ability to diversify the customer base will be crucial.

### **Highly fragmented and intensely competitive industry**

The Company operates in a highly fragmented and competitive Iron & Steel Products, coal, Metals, Minerals and agro products industry.

### **Exposure to volatility in iron and steel prices**

The Company's revenues and margins are exposed to volatility in raw material prices.

## **Financial Performance**

Net sales improved to Rs 447.14 Crs in FY16 from Rs 410.27 Crs in FY15. Profit after tax (PAT) marginally improved to Rs 0.50 Crs in FY16 from Rs 0.21 Crs in FY15. Interest and Finance charges of Rs 5.37 Crs in FY16 mainly comprised of LC discounting/ negation Financial charges of Rs 5.34 Crs as the Company supplies on credit against LC. Net worth stood at at Rs 11.82 Crs

as on March 31, 2016. Outstanding debt as on March 31 2016 stood at Rs 0.05 Crs. Total debt/Tangible Net worth was comfortable at 0.01 times as on March 31 2016. On a provisional basis, the Company has reported net sales of around Rs 114 Crs for 5MFY17.

The Financials are summarized in Annexure I, II & III.

### Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward, early approval of the proposed bank loan facilities, the ability of the Company to increase its turnover and profitability margins, diversify customers and suppliers base, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

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**Adarsh Global Trades & Services Pvt Ltd**

**Annexure I**

**Profit & Loss (Rs Crs)**

<b>Particulars</b>	<b>31/Mar/2014</b>	<b>31/Mar/2015</b>	<b>31/Mar/2016</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Net Sales	197.51	410.27	447.14
Other Operating Income	0.00	0.00	0.00
Total Operating Income	197.51	410.27	447.14
Operating Expenses	197.47	409.82	441.01
OPBDIT	0.03	0.45	6.12
Depreciation/Amortization/Impairment	0.00	0.00	0.00
OPBIT	0.03	0.45	6.12
Interest and Finance Charges	0.00	0.15	5.37
OPBT	0.03	0.30	0.75
Non-Operating Income(Expenses)	0.15	0.00	0.00
PBT	0.18	0.30	0.76
Provision for Taxes	0.06	0.09	0.26
PAT	0.12	0.21	0.50

**Adarsh Global Trades & Services Pvt Ltd**

**Annexure II**

**Balance Sheet (Rs Crs)**

<b>Particulars</b>	<b>31/Mar/2014</b>	<b>31/Mar/2015</b>	<b>31/Mar/2016</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>EQUITY AND RESERVES</b>	0.22	11.32	11.82
Share capital	0.01	5.46	5.46
Reserves and Surplus	0.21	5.86	6.36
<b>Non-current liabilities</b>	0.01	0.01	0.05
Long-Term Borrowings	0.01	0.01	0.05
<b>Current liabilities</b>	74.46	35.71	105.07
Short-Term Borrowings	0.00	0.00	0.00
Trade Payables	48.93	35.61	104.67
Other Current Liabilities	25.48	0.01	0.05
Short-Term Provisions	0.06	0.09	0.35
<b>Total Liabilities</b>	74.69	47.04	116.95
<b>ASSETS</b>			
<b>Non-current assets</b>	0.00	0.00	0.00
<b>Current assets</b>	74.69	47.04	116.95
Inventories	2.23	5.01	5.65
Trade Receivables < Six Months	7.50	36.42	11.19
Cash and Cash Equivalents	0.03	0.04	8.42
Short-Term Loans and Advances	64.80	5.57	91.69
Other Current Assets	0.12	0.00	0.00
<b>Total Assets</b>	74.69	47.04	116.95

**Adarsh Global Trades & Services Pvt Ltd**

**Annexure III**

**Key Ratios**

<b>Particulars</b>	<b>31/Mar/2014</b>	<b>31/Mar/2015</b>	<b>31/Mar/2016</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Long Term Borrowings (Rs Crs)	0.01	0.01	0.05
Short Term Borrowings (Rs Crs)	0.00	0.00	0.00
Current Portion Of Long Term Debt (Rs Crs)	0.00	0.00	0.00
Total Debt (Rs Crs)	0.01	0.01	0.05
Tangible Net Worth (Rs Crs)	0.22	11.32	11.82
Capital Employed (Rs Crs)	0.23	11.33	11.87
Total Debt/TNW (Times)	0.05	0.01	0.01
Long Term Debt/TNW (Times)	0.05	0.01	0.01
TOL/TNW (Times)	346.08	3.15	8.89
ISCR (Times)	8.38	2.94	1.14
DSCR (Times)	31.36	2.33	1.09
Net Cash Accruals/Total Debt (Times)	12.02	20.68	9.24
Net Profit Margin (%)	0.06	0.05	0.11
Operating Profit Margin (%)	0.02	0.11	1.37
ROCE (%)	14.66	7.76	52.78
Current Ratio (Times)	1.00	1.32	1.11
Days Receivables (Days)	14	20	19
Days Inventory (Days)	4	3	4
Days Payable (Days)	90	37	58
Conversion Cycle (Days)	-72	-15	-34

**(As per BWR Calculations)**