

Rating Rationale

Brickwork Ratings reaffirms the rating of “BWR BB & BWR A4+” for Bank Loan Facilities aggregating to ₹ 26 Cr of Agarwal Company

Brickwork Ratings has reaffirmed the **Ratings¹** for the Bank Loan facilities of Rs.26 Cr of Agarwal Company (AC or the firm) as follows.

Facility	Tenure	Previous Limits (Rs.Cr)	Present Limits (Rs.Cr)	Previous Rating	Present Rating
Fund Based Overdraft	Long Term	6.00	6.00	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmation
Non Fund based Bank Guarantee	Short Term	14.00	20.00	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmation
Total		20.00	26.00	INR Twenty Six Crores Only	

¹ Please refer to BWR website www.brickworkratings.com for definition of the rating assigned.

BWR has principally relied upon the audited financial statements up to FY14, Certified Provisional Financials of FY15, projections of ongoing project and, publicly available information and information/clarifications provided by the company's management.

The ratings draw strength from the promoters' experience and its established track record of operations with govt and private clientele base, registered as Class-I A civil contractor, moderate order book position, and satisfactory coverage indicators. However, the ratings are constrained by low networth, high gearing, and the competitive nature of business, project execution and completion risk, high working capital nature associated with the business, geographical concentration risk and constitution as a partnership concern.

Background:

Agarwal Company (AC), was established as partnership firm in 1980 with Mr. V. P. Agarwal, Mr. Manoj Agarwal and Mr. Vikas Agarwal as partners. AC is engaged in the construction business with its head office located in Lucknow and Branch offices in Agra & Varanasi. The partners have significant experience in the construction business for more than four decades. AC is registered as an A-class contractor with Agra Development Authority, Varanasi Development Authority and various government departments. Firm has ISO 9001-2008 certification. The firm has executed various projects including multi storied structures, work on turnkey basis, development works, external & internal sewerage & water supply works, water

Proofing works, road works, overhead water tanks, landscaping & warehouses of big capacities, along with internal & external electrical work, façade works and major interior works etc. AC is currently executing projects worth around Rs. 60 crores.

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

Financial Performance:

As per provisional financial of FY 15, firm reported a total operating income of Rs.41.65 crore, OPBDIT of Rs.4.11 crore and a PAT of Rs.2.71 crore as against a total operating income of Rs.40.56 crore, OPBDIT of Rs.4.11 crore and PAT of Rs.2.35 crore in FY14 (Audited). EBITDA and PAT margins were at 9.87 % and 6.51% respectively in FY15. The firm's capital stood at Rs. 3.22 Crores, coupled with a D/E ratio of 1.60 times and current ratio of 1.21 times for FY 15.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the firm to increase its scale of operations by bidding for new orders coupled with timely execution of the current order book, managing its working capital requirement efficiently, equity infusion from the promoters, improving the current capital structure and profitability would be the key rating sensitivities.

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Annexure-I

Profit and Loss Account				
Crores	31/Mar/2012	31/Mar/2013	31/Mar/2014	31/Mar/2015
Result Type	Audited	Audited	Audited	Provisional
Net Sales	24.34	20.50	40.56	41.65
Other Operating Income	0.11	0.00	0.00	0.00
Total Operating Income	24.45	20.50	40.56	41.65
Operating Expenses	22.37	18.36	36.45	37.54
OPBDIT	2.09	2.14	4.11	4.11
Depreciation/Amortization/Impairment	0.20	0.22	0.27	0.27
OPBIT	1.88	1.92	3.84	3.84
Interest and Finance Charges	0.52	0.72	1.66	1.28
OPBT	1.36	1.20	2.18	2.56
Non Operating Income(Expenses)	0.17	0.09	0.17	0.15
PBT	1.53	1.28	2.35	2.71
Provision for Taxes	0.00	0.00	0.00	0.00
PAT	1.53	1.28	2.35	2.71

Annexure-II

Balance Sheet				
Crores	31/Mar/2012	31/Mar/2013	31/Mar/2014	31/Mar/2015
Result Type	Audited	Audited	Audited	Provisional
Liabilities				
EQUITY AND RESERVES	2.96	2.59	2.61	3.22
Share capital	1.43	1.31	0.26	0.51
Reserves and Surplus	1.53	1.28	2.35	2.71
Non-current liabilities	1.36	1.48	2.15	1.02
Long-Term Borrowings	1.36	1.48	2.15	1.02
Current liabilities	4.04	12.64	13.62	11.33
Short-Term Borrowings	2.77	4.42	5.42	4.13
Trade Payables	0.38	0.38	0.21	0.50
Other Current Liabilities	0.78	7.69	7.88	6.70
Short-Term Provisions	0.10	0.15	0.11	0.00
Total Liabilities	8.36	16.70	18.38	15.57
ASSETS				
Non-current assets	1.18	1.37	1.52	1.82
Net Fixed assets	1.18	1.37	1.52	1.82
Current assets	7.19	15.33	16.87	13.75
Current Investments	0.00	0.00	5.11	0.00
Inventories	3.15	7.96	4.82	5.55
Trade Receivables < Six Months	0.19	0.56	0.19	0.00
Cash and Cash Equivalents	0.23	0.41	1.85	0.97
Short-Term Loans and Advances	3.62	6.41	4.89	0.04
Other Current Assets	0.00	0.00	0.00	7.21
Total Assets	8.36	16.70	18.38	15.57