

Rating Report

Brickwork Ratings assigns 'BWR BB-/A4' for the Bank Loan facilities aggregating ₹ 9.95 Cr of Avdesh Steel works Private Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities of ₹ 9.95 crores of Avdesh Steel works Private Limited ("ASWPL or "the Company"):

Bank Facilities	Sanctioned Limits(₹ .Crs)	Tenure	Rating
Cash Credit (Fund Based)	3.80	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook:Stable
Term Loan (Fund Based)	4.35		
LC (Non-Fund Based)	0.90	Short Term	BWR A4 (Pronounced as BWR A Four)
BG (Non-Fund Based)	0.90		
Total	9.95	INR Nine Crore and Ninety Five Lakhs only	

Note: The term loan has not been fully disbursed by the bank.

ASWPL, being a new company which has commenced commercial operations in February ,2015, BWR has principally relied upon the detailed project report and perused the projected financials upto FY18, publicly available information and information/clarifications provided by the company.

The rating draws strength from the strong industry experience of the management, the locational advantages of the plant and the demand prospects for the products. The rating is, however, constrained by the lack of track record of the company, susceptibility of profitability to volatility in raw material prices, intense competition in the sector and working capital intensive operations of the company.

Background:

Avdesh Steel Works Pvt. Ltd which is into the manufacturing of Ingot from Scrap is a 100% subsidiary of Asutosh Metal Pvt Ltd. The company has started its commercial production on 25th -Feb 15 with a production capacity of 12000TPA to manufacture mild steel ingots.

Management:

The company was promoted by Mr.Chandrakant Jain and Mr.Piyush Jain who are actively involved in business with around 25 years of experience in the iron and steel industry. Currently, they are also Directors in the parent company, Ashutosh Metal Private Limited which is engaged in similar line of business.

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

Financial Performance:

Commercial operations have commenced since February, 2015. The promoters have infused Rs. 3.00 crs till date towards the project. ASWPL expects to report a Net Income of Rs.29.28 crs for FY16 (first year of operations) with an EBITDA margin of 6.83% and Net Margin of 1.34%.

Credit risk determinants

Synergies are derived from the parent company which is in same line of business

The company was promoted by Mr.Chandrakant Jain and Mr.Piyush Jain have around 25 years of experience in the iron and steel industry.

Company has projected moderate gearing level of 2.41 in FY 16 because of high short-term borrowings which is due to working capital intensive nature of operations.

The company has projected moderate debt protection metrics, as indicated by the ISCR and DSCR of 2.69 and 2.94 times respectively.

The company has commissioned the project recently and is yet to show visibility for the projected revenues and profitability.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the company's ability stabilize its operations, ensure timely debt servicing and achieve projected revenue and profitability would be the key rating sensitivities.

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Avdesh Steel works private Limited

Annexure-I

Profit & Loss Account

Profit and Loss Account			
Crores	FY16	FY17	FY18
Result Type	Projected	Projected	Projected
Gross Sales	32.30	35.86	38.10
Excise Duty/Sales Tax	3.02	3.35	3.56
Net Sales	29.28	32.51	34.54
Total Operating Income	29.28	32.51	34.54
Raw Material Consumed	20.53	21.37	22.71
Change In Inventory (Increase)/Decrease	-1.27	-0.09	-0.08
Power and Fuel Expenses	5.57	5.97	6.34
Employee Cost	0.27	0.30	0.42
Manufacturing Expenses	0.22	0.24	0.34
Cost of Goods Sold	25.32	27.79	29.73
Selling, General and other Administrative expenses	1.96	2.16	2.19
Operating Expenses	27.28	29.95	31.92
OPBDIT	2.00	2.56	2.62
Depreciation/Amortization/Impairment	0.77	0.67	0.58
OPBIT	1.23	1.89	2.04
Interest and Finance Charges	0.68	0.95	0.85
OPBT	0.55	0.94	1.19
PBT	0.55	0.94	1.19
Provision for Taxes	0.17	0.29	0.37

Avdesh Steel Works Private Limited

Annexure-II

Balance Sheet

Balance Sheet Crores	FY16 Projected	FY17 Projected	FY18 Projected
Liabilities			
EQUITY AND RESERVES	3.44	4.09	4.91
Share capital	1.51	1.51	1.51
Reserves and Surplus	1.93	2.58	3.4
Non-current liabilities	4.02	3.3	2.57
Long-Term Borrowings	3.32	2.6	1.87
Other Long Term liabilities	0.7	0.7	0.7
Current liabilities	5.68	5.75	5.84
Short-Term Borrowings	3.8	3.8	3.8
Current Portion Of Long Term Debt	0.73	0.73	0.73
Trade Payables	1.11	1.17	1.25
Other Current Liabilities	0.04	0.05	0.06
Total Liabilities	13.14	13.14	13.32
ASSETS			
Non-current assets	5.55	4.85	4.24
Net Fixed assets	5.37	4.7	4.12
Net Intangible assets	0.18	0.15	0.12
Current assets	7.59	8.29	9.08
Current Investments	0.36	0.36	0.36
Inventories	3.04	3.22	3.41
Trade Receivables < Six Months	3.97	4.47	5.05
Cash and Cash Equivalents	0.04	0.04	0.04
Other Current Assets	0.18	0.2	0.22

Avdesh Steel Works Private Limited

Annexure-III

Key Financial Ratios

Fields for Calculations	UNITS	FY16 (Projections)	FY17 (Projections)	FY18 (Projections)
Tangible Net Worth	Crs	3.26	3.94	4.79
Tangible Net Worth (Analyzed)	Crs	3.26	3.94	4.79
Capital Employed	Crs	11.11	11.07	11.19
Total Debt/TNW	Times	2.41	1.81	1.34
Total Debt/TNW(Analyzed)	Times	2.41	1.81	1.34
Long Term Debt/TNW	Times	1.02	0.66	0.39
ISCR	Times	2.94	2.69	3.08
ISCR(Analyzed)	Times	2.94	2.69	3.08
DSCR	Times	2.69	1.35	1.42
DSCR(Analyzed)	Times	2.69	1.26	1.31
Net Cash Accruals/Total Debt	Times	0.15	0.19	0.22
Net Profit Margin	%	1.3	2	2.37
Operating Profit Margin	%	6.83	7.87	7.59
ROCE	%	11.07	17.04	18.33
Current Ratio	Times	1.34	1.44	1.55
Current Ratio(Analyzed)	Times	1.34	1.44	1.55
Days Receivables	Days	49	47	50
Days Inventory	Days	44	41	41
Days Payable	Days	18	18	18
Conversion Cycle	Days	75	70	73

(As per BWR Calculations)