

December 01, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	20.00	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Term Loan	22.00	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Bank Guarantee	0.80	SMERA A4 (Reaffirmed)

SMERA has upgraded the long-term rating on the Rs.42.00 crore bank facilities to '**SMERA B+**' (**read as SMERA B plus**) from '**SMERA B**' (**read as SMERA B**) and reaffirmed the short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.0.80 crore bank facility of Agarwal TMT Industries Private Limited (ATIPL). The outlook is '**Stable**'.

The rating upgrade is in view of the comfortable liquidity position and healthy revenue growth of the company during the current financial year. Further, SMERA expects a healthy growth in its operating income over the medium term.

The ratings continue to draw comfort from the company's experienced management and comfortable working capital management. However, the ratings are constrained by the geographic concentration of revenues, average financial risk profile, low net cash accruals and volatility in commodity prices followed by competitiveness in the industry.

Update

ATIPL commenced its commercial operations from February 2015 and has reported net loss of Rs.1.16 crore on operating income of Rs. 7.96 crore, Further, ATIPL has reported operating income of Rs.136.01 crore (provisional) for the period April, 2015 to mid- November, 2015.

ATIPL's net worth stood at Rs.12.59 including unsecured loans of Rs. 1crore. In FY2015-16 the promoters will infuse additional unsecured loans Rs. 3.98 crore and adjusted gearing is expected to improve to 2.20 times in FY2015- 16 as against at 2.36 times as on March 31, 2015. The interest coverage ratio stood at 0.15 in FY2014-15. The company's working capital cycle is expected to remain at ~30 - 40 days over the medium term. Further, the average cash credit limit utilisation was 78 per cent during the period April, 2015 to September, 2015.

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Outlook: Stable

SMERA believes ATIPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements increasing the pressure on margins.

Rating Sensitivity Factors

- Maintaining profit margins while scaling up operations

About the Company

Agarwal TMT Industries Private Limited (ATIPL) was incorporated in May 2012 by Mr. Rajan Jain, Mr. Sandip Agarwal, Mr. Sanjay Bindal and Mr. Pradeep Dhandharia.

ATIPL commenced its commercial operations from February 2015 for manufacturing of TMT bars at Ahmedabad, Gujarat. The plant has an installed capacity of 120,000 tonnes per annum and is currently operating at 90per cent capacity.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Vinay Chhawchharia Associate Vice President – Operations Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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