

Press Release

Agarwal TMT Industries Private Limited (AT IPL)

24 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.42.80 Cr
Long Term Rating	SMERA B+/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-rating of '**SMERA B+**' (read as **SMERA B plus**) and short-term rating of '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of Agarwal TMT Industries Private Limited (AT IPL). The outlook is '**Stable**'.

AT IPL was incorporated in May, 2012 by Mr. Rajan Jain, Mr. Sandip Agarwal, Mr. Sanjay Bindal and Mr. Pradeep Dhandharia. The company is engaged in the manufacture of TMT bars at Ahmedabad, Gujarat.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoter, Mr. Sandip Agarwal, has around 20 years of experience in the manufacturing of TMT bars. Further, the second line of management is also well experienced.

Healthy operating margins: The operating margins are healthy at 2.42 per cent for FY2016 as compared to 0.24 per cent for FY2015.

Weaknesses:

Highly competitive industry: The company operates in an intensely competitive TMT bars industry with several players leading to pressure on margins.

Volatility in raw material prices and cyclical end-user sector: The prices of major raw materials such as MS Billets/ingots are volatile impacting profitability. Further, the company is largely dependent on the end user industry - construction which is currently on a negative outlook.

Moderate financial risk profile: The financial risk profile has remained average with moderate network of Rs.13.85 crore as on 31 March, 2016 including quasi equity of Rs.1.50 crore. The gearing (Debt-equity) is high at 2.86 times as on 31 March, 2016 as against 2.39 times as on 31 March, 2015. The interest coverage ratio stood at 1.05 times as on 31 March, 2016 as against 0.15 times as on 31 March, 2015. The debt service coverage ratio (DSCR) stood low at 0.76 times as on 31 March, 2016 as compared to 0.21 times in the previous year. The net cash accruals are low at Rs.0.23 crore for FY2016.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria:

- Manufacturing: <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that ATIPL will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' 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 pressure on margins.

About the Rated Entity

ATIPL was incorporated in May 2012 by Mr. Rajan Jain, Mr. Sandip Agarwal, Mr. Sanjay Bindal and Mr. Pradeep Dhandharia.

The company commenced commercial operations from February 2015 to manufacture TMT bars at Ahmedabad, Gujarat. The company has an installed capacity of 120,000 tonnes per annum and it currently operates at 90 per cent capacity.

The company reported net loss of Rs.4.37 crore on operating revenue of Rs.181.30 crore for FY2015-16, as compared to net loss of Rs.1.16 crore on operating revenue of Rs.7.95 crore in the previous year. Further, the net worth stood at Rs.13.85 crore as on 31 March, 2016 as against Rs.12.44 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	20.00	SMERA B+/Stable (Reaffirmed)	-	-	01 Dec 2015	SMERA B+/Stable (Upgraded)	16 Sept 2014	SMERA B/Stable (Assigned)
Term Loan	LT	22.00	SMERA B+/Stable (Reaffirmed)	-	-	01 Dec 2015	SMERA B+/Stable (Upgraded)	16 Sept 2014	SMERA B/Stable (Assigned)
Bank Guarantee	ST	0.80	SMERA A4 (Reaffirmed)			01 Dec 2015	SMERA A4 (Reaffirmed)	16 Sept 2014	SMERA A4 (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	20.00	SMERA B+/Stable (Reaffirmed)
Term Loan	N.A	N.A	2023	22.00	SMERA B+/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	0.80	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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