

Agarwal General Engineering Works Private Limited

March 25, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.50	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	6.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	7.50 (Rs. Seven Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from Agarwal General Engineering Works Private Limited (AGEWPL) to monitor the ratings vide e-mail communications/letters dated January 31, 2022, February 04, 2022, February 12, 2022, February 15, 2022, March 17, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on AGEWPL's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING /CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Agarwal General Engineering Works Private Limited (AGEWPL) remain primarily constrained on account of its modest scale of operations with moderate profit margins, Leveraged capital structure and weak debt coverage indicators. The ratings, further, continue to remain constrained on account of susceptibility of profitability margins to volatile raw material prices and its presence in the highly fragmented and competitive industry. The ratings, however, favorably take into account experienced management with established track record of operations and strong clientele base.

Detailed description of the key rating drivers

At the time of last rating on March 31, 2021 the following were the rating strengths and weaknesses: *(updated from information available from Registrar of the companies)*

Key Rating Weaknesses

Modest scale of operations with moderate profit margins

During FY21, the scale of operation marked by total operating income(TOI) of the company has declined over FY20 and stood modest at Rs 7.80 crore as against Rs. 11.88 crore during FY20. The profitability of AGEWPL stood moderate marked by PBILDT margin of 9.14% as against 6.72% in FY20. However, with increase in interest and depreciation cost on proportionate basis PAT margin remained below unity at 0.19% in FY21 against 0.36% in FY20.

Leveraged capital structure and weak debt coverage indicators

As a result of comparatively higher overall debt level with low networth base, the capital structure remained leveraged marked by overall gearing ratio of 9.00 times as on March 31, 2021, marginally improved from 9.10 times as on March 31, 2020. Further, owing to leveraged gearing level with low profitability, debt service coverage indicators stood weak marked by total debt to GCA of 34.37 years as on March 31, 2021 as against 22.72 years as on March 31, 2020 and interest coverage ratio of 1.15 times in FY21 against 1.22 times in FY20.

Susceptibility of profitability margins to volatile raw material prices coupled with presence in a highly fragmented and competitive industry

The major raw materials required for manufacturing of conductors are electrolytic copper and aluminium, prices of which are highly fluctuating in nature and move in tandem with global demand-supply factors. Adverse changes in prices of the same would have an impact on the profitability margins of the firm. To mitigate its risk, AGEWPL stocks up raw material as and when it gets a favourable rate.

¹ Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

AGEWPL operates in a highly fragmented market with the presence of a large number of organized and unorganized players due to low entry barriers. Also, the presence of large players with an established marketing & distribution network leads to intense competition in the industry. Additionally, on account of rapidly changing dynamics of the end user industries (power distribution & transmission and electrical products) as well as competition from cheap Chinese imports, conductor manufacturers are required to upgrade their facilities at regular intervals resulting in regular capital commitments.

Key Rating Strengths

Experienced management with established track record of operations

AGEWPL was incorporated in 1979 and hence, has a track record of more than three decades in the industry. The overall activities of AGEWPL are managed by Mr. Nand Lal Bansal, Director, who is Chartered Accountant by qualification and has more than four decades of experience in the industry. He is assisted by his son, Mr. Saurabh Bansal, who is MBA by qualification and has more than 7 years of experience in the industry. Further, due to longstanding presence in the industry, the company has established relations with its customers and suppliers. Further, the top management is assisted by second tier management who has relevant experience in the industry.

Strong clientele base with moderate order book position

Being present in the industry since long period of time, it has established relationship with State Electricity Boards (SEBs). Due to established relationship with its customers, it gets repeated orders from its clients. As on March 26, 2021, the company has an order book position of Rs.10.00 Crore from Jaipur Vidyut Vitran Nagam Limited, Jodhpur Vidyut Vitran Nagam Limited etc. They are expected to be completed within a period of 12-18 months.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the company

Jaipur (Rajasthan) based, AGEWPL was incorporated in 1979 by Mr. Nand Lal Bansal along with his family members as a private limited company. AGEWPL is engaged in the business of manufacturing of All Aluminum Conductors (AAC) and Aluminum Conductor Steel Reinforced (ACSR). The manufacturing unit of the company is located in Vishwakarma Industrial Area, Jaipur with combined total installed capacity of 1062 Metric Tonnes Per Annum (MTPA) as on March 31, 2020. The company participates in the tenders for supply of conductors and has longstanding association with Madhya Pradesh State Electricity Board (MPSEB), Power Grid Corporation of India Limited (PGCIL), Punjab State Electricity Board (PSEB) and Rajasthan State Electricity Board (RSEB).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22(Prov.)
Total operating income	11.88	7.80	NA
PBILDT	0.80	0.71	NA
PAT	0.04	0.01	NA
Overall gearing (times)	9.10	9.00	NA
Interest coverage (times)	1.22	1.15	NA

A; Audited; Prov.; Provisional; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.50	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings		Rating history				
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	1.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (31-Mar-21) 2)CARE B; Stable (03-Apr-20)	1)CARE B; Stable (01-Apr-19)	1)CARE B; Stable; ISSUER NOT COOPERATING* (06-Nov-18)
2	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (31-Mar-21) 2)CARE A4 (03-Apr-20)	1)CARE A4 (01-Apr-19)	1)CARE A4; ISSUER NOT COOPERATING* (06-Nov-18)
3	Non-fund-based - ST-Bank Guarantee	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (31-Mar-21) 2)CARE A4 (03-Apr-20)	1)CARE A4 (01-Apr-19)	1)CARE A4; ISSUER NOT COOPERATING* (06-Nov-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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