



Rating Rationale

A. D. Trading Co.

5 December 2017

Brickwork Ratings assigns BWR B (Outlook: Stable)/A4 for the Bank Loan Facilities of Rs. 8.00 Crs of A. D. Trading Co. ('ADTC' or 'the concern')

Particulars

Facility*	Amount (Rs. Crs)	Tenure	Rating [^]
Fund Based Cash Credit	6.00	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable
Overdraft	1.50		
Goods Loan	0.50**	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	8.00 (INR Eight Crores Only)		

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Annexure-I provides details of bank wise facilities

** Outstanding as on November 2017

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the concern upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the proprietor's experience in rice trading. The ratings, however, are constrained by the nascent stage of business operations, weak credit profile marked by small scale of operations, high gearing and low profitability, exposure to agro climatic risks and intense competition prevalent in the industry.

Going forward, the ability of the Concern to increase its scale of operations, improve its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

5 December 2017



Key Rating drivers

Credit strengths

- **Proprietor's experience**

ADTC's proprietor Mr. Akash Arora has four years of experience in rice trading. Prior to establishment of ADTC, he was working for Ala Foodstuffs Pvt. Ltd., an Arora family owned company, which is engaged in trading and processing of rice.

Credit Weaknesses

- **Nascent and small scale of operations**

ADTC was established in October 2016 and reported net sales of Rs.5.57 Crs during six months of operations in FY17.

- **Weak financial risk profile marked by high gearing and thin profitability**

ADTC's overall gearing was high at 2.49 times as on March 31 2017 due to relatively high dependence on bank borrowings to meet its working capital requirements. Due to the low value additive nature of the business, its net profit margin was low at 1.06% in FY17. ISCR for FY17 was adequate at 1.25 times and Proprietor's capital was low at 2.02 Crs as on March 31 2017.

- **Agro Climatic risks and intense competition in a highly fragmented industry**

The availability of grains and fluctuation in their prices, which are impacted by agro climatic conditions, are the key determinants of profitability. The Concern faces stiff competition from established players as well as large number of players in the unorganised sector, which limits its pricing flexibility and bargaining power with customers, thereby placing pressure on its revenues and margins.

Rating Outlook: Stable

BWR believes ADTC's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Concern Background:

A. D. Trading Co. (ADTC) is an Amritsar, Punjab based proprietorship Concern established in October 2016 by Mr. Akash Arora for wholesale trading of paddy and rice. ADTC procures paddy as well as processed Basmati rice from Bhagatwala Mandi and sells it to its customers in Punjab, Mumbai and Pune. ADTC has rented a godown admeasuring 20,000 sq.ft. in Bhagatwala. I

Financial Performance

During FY17, ADTC reported sales of Rs.5.57 Crs and PAT of Rs.0.06 Crs. Current ratio was 1.43 times as March 31 2017. During 8MFY18, ADTC has reported sales of Rs.5.56 Crs.

Key financial indicators are furnished in Annexure II.



Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (December 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	6.00	BWR B (Outlook : Stable)	N/A	N/A	N/A
2	Overdraft		1.50	Assigned			
3	Goods Loan	Short Term	0.50*	BWR A4 Assigned			
Total		8.00		INR Eight Crores only			

* Outstanding as on November 13, 2017

Status of Non cooperation with other CRA : Not Applicable

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Trading Companies](#)
- [Approach to Financial Ratios](#)

Analytical Contacts	Media
Rajee R General Manager- Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

A. D. Trading Co.

5 December 2017



Annexure I
Details of Rated Bank Facilities

Bank	Facilities	Rated Amount (Rs Crs)
Punjab National Bank International Banking Branch, Amritsar, Punjab	Cash Credit	6.00
Karnataka Bank, Amritsar Branch	Overdraft	1.50
	Goods Loan	0.50
	Total	8.00

* Outstanding as on November 13, 2017

Annexure II
Key Financial Indicators

Particulars	FY17 (6 months)
Net Sales (Rs. Cr)	5.57
EBITDA (Rs. Cr)	0.31
PAT (Rs. Cr)	0.06
Proprietor's Capital (Rs. Cr)	2.02
Total Debt: PC (Times)	2.49
Current Ratio (Times)	1.43

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a



Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.