

Rating Rationale

Brickwork Ratings Upgrades the long term rating from BWR B to 'BWR B+' & Withdraws the short term rating to Aarti Traders' Bank Loan facilities of ₹6 Cr (revised from ₹6.30 Cr).

Brickwork Ratings have upgraded the **Rating**¹ for Bank Loan facilities aggregating ₹6 Cr of Aarti Traders ('firm') availed from Bank of Baroda as follows:

Facilities	Previous Amount (₹ Cr) (Feb 2014)	Present Amount(₹ Cr) (Jun 2015)	Tenure	Previous Rating (Feb 2014)	Present Rating (Jun 2015)
Fund Based: Cash Credit	5.00	6.00	Long Term	BWR B (Outlook:Stable)	BWR B+ (Pronounced BWR B Plus) (Outlook: Stable) (Upgraded)
Term Loan	0.30	-		BWR B (Outlook:Stable)	Withdrawal of Ratings
Export Packing Credit(EPC)	1.00	-	Short Term	BWR A4	Withdrawal of Ratings
Total	6.30	6.00	(INR Six Crores Only)		

Note: The Term loans have since been paid with nil outstanding which was Rs.0.25 Cr when last rated on term loan limit of Rs.0.30 Cr. Also, there is no EPC limit anymore, hence ratings for both these facilities of term loan and EPC stand withdrawn

BWR has essentially relied upon the audited financials of FY13 & FY14, projections for FY15 & FY16 of Aarti Traders, publicly available information and information/clarification provided by the firm's management. The rating reflects the performance of the Firm in FY14 vis-a-vis FY13. The Firm continues in its business of textile manufacturing, it draws strength from the experience of the promoter, increased net sales, reduced conversion period and adequate interest service cover. However, the rating is constrained by moderate scale of operations, marginally reduced operating & net profit margins and geographical concentration risk

About the Company:

Aarti Traders is a proprietary firm started in 1992 by Suresh Keswani. The firm is located in Thane, Maharashtra. It is primarily involved in manufacture of finished fabric, which involves conversion of plain cloth to grey fabric, stitching on the embroidery, dying and finally packaging. It also outsources ~25% of the manufacturing process to reduce costs and sustain market demand.

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

The Firm is managed by Mr. Suresh Keswani who has over 20 years of experience in the current line of business. It procures the raw material and sells it to retail customers in and around Thane.

Financial Performance:

The firm has improved its net sales substantially by ~57% from Rs.23.59 Cr in FY13 to Rs.36.96 Cr FY14. The operating profit margin was 4.19% in FY13 and it reduced marginally to 3.57 % in FY14, while net profit margin was 1.39% in FY13 and 1.36% in FY14. The firm has informed of achieving Rs.42 Cr of turnover for FY15

The firm increased the tangible net worth from Rs.1.72 Cr in FY13 to Rs.2.71 Cr FY14 with capital infusion and retention of profits. The average conversion cycle of the firm has reduced from over 100 days to less than 90 days. The firm’s adjusted gearing was at 2.39 times in FY14 and the interest service cover at 1.86 times in FY14.

Rating Outlook:

The outlook for the firm for the next one year is expected to be stable. Going forward the firm’s ability to scale up operations, improve the operational efficiency on the outset of increasing raw material prices and efficiently manage the outsourcing of manufacturing activities will remain the key rating sensitivities

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