Rating Rationale

Brickwork Ratings assigns 'BWR B+' rating for the Bank Loan Facilities of ₹ 5.00 Cr of Akash Traders.

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Loan facilities of ₹ 5.00 Cr of Akash Traders (*'AT or the firm'*) availed from Canara Bank.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit Fund Based	**5.00**	**Long Term**	**BWR B+** *(Pronounced BWR B Plus)* **Outlook: Stable**
Sub Limit ODBD Fund Based	**(0.45)**		
Total	**5.00**	**INR Five Crores only**	

BWR has principally relied upon the audited financial results up of FY12, FY13, FY14 and projections for FY15, publicly available information and information/clarifications provided by the firm's management.

The rating reflects the proprietor's experience of over two decades in the cement trading business, increase in operating profit and improvement in leverage due to equity infusion. However, the ratings are constrained by small scale of operations, decline in sales, limited client base, weak debt protection metrics, susceptibility of revenue to the volatility in cement prices and stiff competition faced from the local traders resulting in low profitability.

Background

Akash Traders ("AT" or "The firm") is a proprietorship firm started by Mr. Rajendra Nath Huja in the year 1992 and is engaged in trading of cement and iron rods. The firm is based out of Kanpur Road, Lucknow. The Company is a super distributor of ACC Cement and also trades Iron Rods of Gallant Ispat Ltd based on customer preference. Sale of Cements accounts for ~97% of the total revenue and sale of Iron rods accounts for the remaining ~3% of revenues. The firm has sold 7.23 lacs cement bags and 14.17 Metric tonnes of iron rods in FY14. The firm is managed by Mr. Rajendra Nath Huja who looks after the day to day operations and supported by 5 to 6 employees.

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

Financial Performance

The firm's revenues have marginally declined from ₹ 21.08 Cr in FY13 to ₹ 19.95 Cr in FY14, due to increase in cement prices. However, the Operating profit improved from ₹ 0.91 Cr in FY13 to ₹ 0.93 Cr in FY14. The Non-operating income has increased from ₹ 0.02 Cr in FY13 to ₹ 0.03 Cr in FY14, is from the interest on security deposits with ACC and Fixed Deposits.

The working capital limits in the form of Cash Credit was enhanced from ₹ 3.00 Cr to ₹ 5.00 Cr during FY14 and the interest cost increased marginally from ₹ 0.69 Cr in FY13 to ₹ 0.72 Cr in FY14. The net profit however has been sustained at ₹ 0.25 Cr in FY13 to ₹ 0.24 Cr in FY14. The firm's Long-term borrowings reduced from ₹ 1.88 Cr in FY13 to ₹ 1.56 Cr in FY14 that includes loan against property from Axis Bank for construction of residential house. Tangible net worth increased from ₹ 1.26 Cr in FY13 to ₹ 2.52 Cr in FY14, with infusion of additional capital to the tune of ₹ 1.01 Cr in FY14. Debt Equity ratio moderated from 3.67 times in FY13 to 2.33 times in FY14. Debt repayment of the firm is 0.97 times in FY14. The fixed assets have increased from ₹ 0.45 Cr in FY13 to ₹ 1.61Cr in FY14 with major portion invested in building. The firm has informed of achieving a sales turnover of ₹ 15.23 Cr for the period April 2014 to January 2015.

Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the firm's ability to scale up its operations in meeting its financial projections, strengthen capital structure, improve profitability margins and manage working capital efficiently, thereby timely service its debt obligation will be the key rating sensitivities.

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