

## Rating Rationale

**Brickwork Ratings revises the long term rating to 'BWR B' (Outlook: Stable) for the Bank Loan facilities of ₹ 5.00 Cr of Akash Traders.**

Brickwork Ratings (BWR) has revised the **Rating<sup>1</sup>** for the Bank Loan facilities of **₹ 5.00 Cr** of **Akash Traders** (or 'the firm') availed from Canara Bank as follows:

Facilities	Amount (₹ Cr) (Mar' 2015)	Amount (₹ Cr) (Mar' 2016)	Tenure	Rating (Mar'2015)	Rating (Mar'2016)
<b>Fund Based</b>			Long Term	BWR B+ (Pronounced BWR B Plus) Outlook: Stable	BWR B (Pronounced BWR B) Outlook: Stable
Cash Credit	5.00	5.00			
ODBD (Sub Limit)	(0.45)	(0.45)			
<b>Total</b>	5.00	<b>5.00</b>	<b>INR Five Crores Only</b>		

*Note: ODBD – Overdraft against Book debts*

BWR has essentially relied upon the audited financial results of FY13, FY14, FY15 and projections of FY16, FY17 of the firm, publicly available information and information/clarifications provided by the firm.

The rating revision necessarily factors in, decline in operating profit margins, lower net profits, trading nature of the business, susceptibility to risk associated with price fluctuation on the inventory along with stiff competition from local traders and working capital intensive nature of the operation. However, there is marginal improvement in revenues which is well supported by proprietors' experience of over two decades in the business.

### Background:

Akash Traders, a proprietorship firm, was set up in 1992 by Mr. Rajendra Nath Huja. It is located in Lucknow, Uttar Pradesh and is engaged in trading of cement and iron rods. The firm is a super distributor of ACC Cement and also trades Iron Rods of Gallant Ispat Ltd based on customer preference. Sale of Cement accounts for ~96% of the total revenue and remaining ~4% of revenues contributed by the sale of Iron rods. The firm has sold 7.08 lacs of cement bags and 18.39 Metric tonnes of Iron rods in FY15.

Mr. Rajendra Nath Huja being the proprietor manages the entire operations of the firm, including his workforce strength of 5 to 6 employees. He is a graduate by qualification and has 25-30 years of experience in supplying and trading of cements.

<sup>1</sup> Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings assigned

### Financial Performance:

As per the audited financials for FY15, net revenue from operations of the firm has increased marginally from ₹ 19.95 Cr in FY14 to ₹ 20.56 Cr in FY15. The operating profit margin has reduced from 4.66% in FY14 to 4.11% in FY15. The net profit margin also has declined from 1.21% in FY14 to 1.17% in FY15. The firm has informed of achieving a profit of ₹ 0.29 Cr on revenues of ₹ 17.57 Cr as on February 29, 2016.

The Debt Equity ratio has improved from 2.33 times in FY14 to 2.08 times in FY15. The tangible net-worth has increased from ₹ 2.52 Cr in FY14 to ₹ 3.11 Cr in FY15. The current ratio of the firm was 1.48 times in FY14 and is 1.45 times in FY15.

### Rating Outlook:

Going forward, the ability of the firm to scale up its operations and improve on its profitability, along with strengthening the capital structure while efficiently managing its working capital would remain the key rating sensitivities.

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