



Rating Rationale

Anjali Enterprises

November 21, 2017

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 6 Crs of Anjali Enterprises

Particulars:

Facility	Amount (In Crs.)	Tenure	Rating Assigned*
Fund Based - Cash Credit	6	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook:Stable
Fund Based- Cash Credit (BD) Sub Limit	(4.75)		
Total	6 (Rs. Six Crores Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY17, projections till FY19, publicly available information and information/clarifications provided by the company.

Rating derives comfort from the company's ability to scale up the operations, growth in revenues, increased geographic reach and its business association with ITC. The rating is, however, constrained by the company's low scale of operations, low profitability margins, sensitive financial risk profile because of high gearing and high competition in the business.

Going forward, the ability to scale up at a constant rate while increasing the profitability margins and reduction in leverage shall be the key rating sensitivities.

Key Rating Drivers:

Strengths:

- **Growth in revenues and achievable projections:** The firm has started its operations in 2014. Since inception, the company has posted significant revenues and positioned itself in a relatively higher segment of trading firms. The firm claims to have booked provisional revenues of approximately Rs 57 Crores till October 2017 which seems congruent to the projected figures of FY 18.

November 21, 2017



- **Growing Geographic Reach:** The firm has increased its reach primarily to Sahibabad & Ghaziabad region. The distribution network consists of whole-sellers & retailers.

Weakness:

- **High Leveraging:** The firm has highly leveraged capital structure with gearing of 6.23x in FY17. Thin Net Profit Margin of 0.3% reflects the low profitability in the FMCG sector. Just like any other trading firm in FMCG, Anjali Enterprises also trades in volumes rather than on margins.
- **Highly Competitive business:** The entry and exit barriers in trading business is very low. The industry is highly competitive with the presence of numerous trading firms in the business. The threat from the substitutes has also increased substantially.

About the Company:

Anjali Enterprises is a proprietorship concern of Mrs Anjali Khanna W/o Mr Anuj Khanna. She is a graduate by qualification. Anjali Enterprises is supported by her husband who takes care of the operations of the business. The company commenced its business in 2014 at Guru Nanak Pura Modinagar as a trading entity involved in exclusive trading of ITC products - FMCG, Cigarettes, Atta etc., where Cigarette business contributes to 70% of the total sales. The company has two warehousing locations Sahibabad & Ghaziabad. The regions covered by the company are entire Sahibabad, Vasundhara, Rajender Nagar & Ghaziabad. M/s Anjali enterprises operates both in retail as well as wholesale segment.

Rating Outlook: Stable

BWR believes that Anjali Enterprises' 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 company is able to improve its leverage, keeping other financial metrics constant. The rating outlook may be revised to 'Negative' if it is not able to achieve the projected sales & margins.

Company's Financial Performance:

The company booked total operating income of Rs 53.13 Crores in FY17 as against Rs. 47.99 Crores in FY16. PAT stood at 0.17 Crore in FY17 as compared to 0.12 Crore in FY16.

Parameters	FY 2016(A) (Rs in Crores)	FY 2017(A) (Rs in Crores)
Total Operating Income	47.99	53.13
OPBDIT	0.61	0.77
PAT	0.12	0.17
Tangible Net Worth	0.59	0.79
Total Debt/TNW	7.75	6.23

Facility	Rating Assigned in Nov'17			Rating History		
	Amount (Rs. In Crs)	Tenure	Rating	FY 16	FY 15	FY14
Fund Based - Cash Credit	6.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook:Stable	NA	NA	NA
Fund Based- Cash Credit (BD) Sub Limit	(4.75)					
Total	6.00	(INR Six Crores Only)				

Rating History for the last three years:

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)

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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.

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