



Rating Rationale

Apoorva Trading Company

20 Jun 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.00 Crores of Apoorva Trading Company.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Cash Credit Fund based	6.00	Long Term	BWR B+ BWR Single B Plus Outlook: Stable
Total	6.00	INR Six Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY17, projected financials of **Apoorva Trading Company** up to FY19 and publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the business experience of the promoters, growing revenue, efficient working capital management and support from associate concerns operating in the same line of business. However, the rating is constrained by small scale of operations, thin profitability margins, low net worth level, weak debt servicing metrics, exposure to intense competition due to large number of organised and unorganised players in the market, susceptibility to risks arising from the volatility in raw material prices and the industry being highly regulated by the government.

Description of Key Rating Drivers

Credit Strengths:

Experienced promoters of the concern:

The proprietor of the concern has over 20 years of business experience in the food processing industry.

Adequate liquidity management in the firm :



The working capital management in the firm is efficient as indicated by the current ratio and cash conversion cycle.

Support of Associate concern:

ATC benefits from the support of its associate concerns operating in a similar line of business.

Credit Risks:

Constitution :

ATC is a proprietorship concern.

Stretched Capital Structure of the Concern:

The concern has a stretched capital structure as indicated by the low net worth level of Rs 0.61 Crs and high total debt to tangible net worth ratio 11.73 times as on FY17.

Weak Debt Servicing metrics

The firm has weak debt servicing metrics as indicated by an ISCR (Interest Service Coverage Ratio) & DSCR (Debt Service Coverage Ratio) of 1.14 times and 0.60 times respectively in FY17.

Thin profitability margins:

The firm has thin profitability margins as indicated by the net profit margin of 0.57% in FY17 and 0.58% in FY16.

Exposure to risk related to regulated nature of food processing industry:

The industry is highly fragmented and regulated by the government.

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).

Rating Outlook: Stable

BWR believes the **Apoorva Trading Company** 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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Concern

M/s Apoorva Trading Company (ATC) is proprietorship concern established in February, 2001 by Mr Giridhar Khandelwal . The firm is located in Malhar Ganj, Indore. The firm is involved in the business of Agricultural processing and trading of chana, chana dal, wheat, soybean and cotton.

Company Financial Performance

The Revenue and profitability of the concern observes a y-o-y increase. In In FY18 the company recorded a revenue of Rs 45.12 Crs (FY18 Prov.) as compared to Rs 23.02 Crs. in FY17. In FY17 the concern recorded a net surplus of Rs 0.13 Crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Cash Credit Fund Based	Long Term	6.00	BWR B+ (BWR Single B Plus)	-	-	-
	Total		6.00	₹ INR Six Crores Only			

Status of non-cooperation with previous CRA (if applicable)-N/A

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	23.02	22.37
EBITDA	₹ Cr	1.09	0.84
Surplus	₹ Cr	0.13	0.13
Tangible Net worth	₹ Cr	0.61	0.52
Total Debt/Tangible Net worth	Times	11.73	11.54
Current Ratio	Times	23.94	81.41

Hyperlink/Reference to applicable Criteria

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



- [Trading Entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Vipula Sharma</i> <i>DGM-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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.