Rating Rationale

Brickwork Ratings assigns 'BWR C' rating for the Bank Loan Facilities of ₹8.90 Cr of Arihant Wheels and Cycles Private Limited.

Brickwork Ratings (BWR) has assigned the following **Rating**[1] for the Bank Loan facilities of ₹8.90 Cr of Arihant Wheels and Cycles Private Limited, sanctioned by Union Bank of India

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based **Cash Credit** **Term Loan 1** **Term Loan 2**	 4.54 1.07 3.29	**Long Term**	**BWR C** (Pronounced BWR C)
Total	**8.90**	**(INR Eight Crores & Ninety Lakhs only)**	

Term Loan 1 and Term Loan 2 are outstanding as on 31st March 2015

BWR has principally relied upon the audited financial results of FY12, FY13, FY14 & projections of FY15 & FY16, publicly available information & information/clarifications provided by the management.

The rating reflects the promoters' experience in the bicycle industry, established relationship with key customers which mainly include OEM's (Original Equipment Manufacturers), healthy growth of more than 2 times in total revenue from operations in FY14, positive PAT in FY14 after reporting net loss for two consecutive previous years.

However, the rating is constrained by Company's limited track record, low scale of operations, leveraged capital structure with weak debt protection metrics, stretched liquidity position with timely servicing of debt obligation and susceptibility of profitability to volatility in raw material prices.

Background

Arihant Wheels and Cycles Private Limited (AWCPL) was incorporated in 2007 and started its commercial production in 2011 with manufacturing of bicycle chains. The Company is promoted by Mr. Bimal Choudhary and Mr. K. K. Choudhary and has its registered office situated in Gorakhpur, Uttar Pradesh. AWCPL is a part of Laxmi Group of industries which is operating since 1993 through Laxmi Cycle Industries Private Limited engaged in manufacturing of Bicycle including Multi Terrain Bike (MTB) & Sports Light Roadster (SLR) and heavy duty rims.

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

Subsequently in 2013, Company also started manufacturing of bicycle rim and is currently is engaged in the manufacturing of both chain & rim. It is also engaged in trading of bicycle parts such as stand, carrier, pedal, chain wheels, free wheels and handle.

Trading business accounts for ~4-5% of total revenue and rest ~ 95% is from manufacturing. In manufacturing, ~70% of business accounts from Rim and rest 30% is from Chain. The Company has an installed capacity of 3.60 lakhs chains and 4.50 lakhs rim per year. The Company caters to the major OEM's like T.I. Cycles of India, Tata International Limited and other cycle manufacturers situated in Eastern U.P. and Western U.P., West Bengal, Orissa, Bihar, Jharkhand. Major raw material is cold rolled sheets and are procured from suppliers like M/s Bhushan Power & Steel Limited, Surya Roshni Limited etc.

Financial Performance:

AWCPL reported total revenue from operations of Rs. 12.77 Cr in FY14 as against Rs. 5.26 Cr in FY13 Operating profit margin and Net profit margin of the Company were at 17.98% and 0.18% respectively in FY14 as against 18.33% and (5.36) % in FY13. Tangible net worth stood at Rs. 1.79 Cr as on March 31, 2014. The Company has informed of achieving a turnover of Rs. 20.10 Cr for FY15.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the Company's ability to increase the scale of operation while sustaining profitability, rationalize its capital structure and manage working capital efficiently thereby timely servcing of its debt obligations would be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	**Media Contact**
1-860-425-2742	media@brickworkratings.com