Rating Rationale

Brickwork Ratings assigns 'BWR A4' for the Bank Loan Facilities aggregating ₹ 30 Cr of Axis Trading Co. Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating**[1] for the Bank Loan Facilities of Axis Trading Co. Private Limited *("ATCPL" or "the Company")*.

<table>
<tr><th>Facility</th><th>Limits (₹ Cr)</th><th>Tenure</th><th>Rating</th></tr>
<tr><td>Fund Based (FB)</td><td></td><td></td><td></td></tr>
<tr><td>PC/PCFC/FDB/BRD</td><td>22.70</td><td rowspan="5">Short Term</td><td rowspan="5">BWR A4
(BWR A Four)</td></tr>
<tr><td>Sub Limit: ODBD</td><td>(5.00)</td></tr>
<tr><td>FBE</td><td>(1.00)</td></tr>
<tr><td>PC</td><td>(15.00)</td></tr>
<tr><td>EPC/EBP/EBD/EBN</td><td>7.30</td></tr>
<tr><td>Total FB Limits</td><td colspan="3">30.00 (INR Thirty Crores only)</td></tr>
</table>

BWR has principally relied upon the audited financial results up to FY13 & projected financials, publicly available information and information/clarification provided by the Company Management.

The rating inter alia, reflects the experience of the promoters, long standing relations with reputed customer base, huge potential market with increase in industrial activities in the area resulting revenue visibility and promoters ability to infuse equity as per business requirement.

The rating is however constrained by company's relatively modest scale of operations, weak financial risk profile characterized by high leverage and weak debt coverage indicators, industry characterized by severe competition mainly from unorganized players in market and currency risk on account of sizable exports of goods as well as commodity price risk.

Background

Axis Trading Co. Pvt. Ltd (ATCPL), incorporated in the year 1998 as a private limited company, is engaged in trading of all types of agro commodities & minerals like rice, wheat, soyabean, sugar, sugarcane, molasses, tea, coffee, paper, paperboard, iron, steel, cement, food grains, food products, vegetable products, jute, jute goods, jute cutting, cotton yarn, wool, ready-made garments, electricals, hides, skins, metals & minerals etc.

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

ATCPL has its registered office in Mumbai and is promoted by Mr. Vijay Majithia who has rich experience of more than two decades in the line of trading/export business. The other director of ATCPL is Mrs Ina Majithia who looks after Administration & HRD functions of the company. ATCPL caters to both domestic and export markets (more than 90% of export sales in FY13). ATCPL procures the agro products from the local market in Maharashtra at spot prices and sells them in domestic and export markets. ATCPL has export sales to destinations like Taiwan, Switzerland, Singapore, UAE, London etc. Moreover, the sales of ATCPL are geographically diversified even in domestic fronts to places in Gujarat, Maharashtra, Bhopal, Kolkata etc. ATCPL has started taking forward cover to hedge its foreign currency exposure on part of its exports. Hence, it is exposed to foreign exchange fluctuation risk on the un-hedged portion of its transactions.

Financial Performance

Revenues increased by 43.7% to ~₹ 93.59Cr in FY13 compared to ₹ 65.11Cr in FY12. However, on account of higher raw material expenses, Operating profit levels have decreased. ATCPL reported operating losses of ₹ 1.19Cr as against operating profit of ₹ 0.90Cr. The net profit level has increased to ₹ 0.77Cr from ₹ 0.49Cr with margins of ~0.82%.

Debt levels has shown increasing trend in recent years mainly consisting of working capital loan due to higher order inflows. Driven by stretch operating cycle, ATCPL's reliance on bank funding for working capital requirements has increased. However, gearing is expected to improve going forward driven by better operating performance and improving capital structure.

Rating Outlook

The ability of the company to increase its profitability with diversified customer base, and manage the exchange & commodity price risks, working capital and liquidity position at satisfactory levels will remain the key rating sensitivities.

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