

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 8.50 Crores of Desai and Company (DC or The Firm)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2017)	Present
Fund based	6.08	6.00	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable (Reaffirmed)
Non Fund Based	2.50	2.50	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	8.58	8.50	INR Eight Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings, **Rating Not Reviewed on 10.1.2019.**

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY18, projections up to FY20 and along with publicly available information, information/clarifications provided by the Firm's management.

The ratings continues to factor the experienced partners and established relationships with suppliers, marginally improved sales, low gearing profile and moderate liquidity. The ratings, however continue to



be constrained by reduced net profit margin, negative interest coverage indicator. The ratings are also constrained by inherent risk

Going forward, the ability of the firm to further increase its scale of operations along with profitability, manage working capital efficiently and improve its overall financial risk profile would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Partners Experience and Established relationship** - The experience of Partners is more than two decades in the same line of business. Relationship with suppliers is more than two decades.
- **Increased scale of operations**- The firm has achieved the revenue of Rs. 45.84 Crs in FY18 improved from Rs 37.90 Crs in FY17
- **Low gearing and moderate liquidity position** - The gearing stood at 0.68 times in FY18 and Current ratio reported at 1.94 times in FY18 however the utilization of cash credit is 100 % in FY18.

Credit Risks:

- **Weak financial profile** - Reduced net profit margin from 2.60% in FY17 to 1.74% in FY18. Negative interest coverage indicator stood at 0.56 times in FY18.
- **Inherent risk** - The constitution of the firm being partnership.

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 **Desai and 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 Firm

Desai and Company is a partnership firm established in the year 1995. The firm is an authorized dealer for tractors manufactured by TAFE Ltd, Chennai and commercial vehicles manufactured by the Force Motors Ltd., Pune. The dealership license was last renewed on 30.11.2018. As on date there are totally eight partners in the firm. The firm is having showrooms in Head office in Vidyanagar Hubli, Showrooms in Koppikar Road Hubli, Gadag, Haveri and Ranebennur.

Firm Financial Performance

As per FY18 audited financials the Firm has reported revenue of Rs. 45.84 Crs and PAT of Rs. 0.80 Crs.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	10.1.2019	9.10.2017	2016
	Fund Based	Long Term	6.00	BWR BB- Pronounced as BWR Double B minus) Outlook:Stable (Reaffirmed)	Rating Not Reviewed	BWR BB- Pronounced as BWR Double B minus) Outlook:Stable	Not Rated
	Non Fund Based	Short Term	2.50	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)		BWR A4 (Pronounced as BWR A Four) (Reaffirmed)	
	Total		8.50	₹ Eight Crores and Fifty Lakhs Only			

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Key Financial Indicators

Key Parameters	Units	2016	2017	2018	2019	2020
Result Type		Audited	Audited	Audited	Projected	Projected
Operating Revenue	₹ in Crs	41.29	37.90	45.84	47.98	53.30
EBITDA	₹ in Crs	(1.15)	0.60	0.78	(0.18)	0.24
PAT	₹ in Crs	0.87	0.99	0.80	1.25	1.42
Tangible Net worth	₹ in Crs	9.49	10.77	11.85	13.39	15.10
Total Debt/Tangible Net worth	Times	0.91	0.70	0.68	0.59	0.51
Current Ratio	Times	2.36	1.89	1.94	2.02	2.25

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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

For print and digital media

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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