

Rating Rationale

Brickwork Ratings assigns 'BWR BB' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 20 Cr of Hind Tradex Limited

Brickwork Ratings has assigned following **Ratings¹** for the Bank Credit Facilities of Hind Tradex Limited. (*'HTL' or 'the Company'*)

Facility	Existing (₹ Cr)	Proposed (₹ Cr)	Tenure	Rating
Cash Credit (Fund Based)	12.50	7.50	Long Term	BWR BB (BWR Double B) (Outlook: Stable)
Letter of Credit (Non-Fund Based)	(3.00)		Short Term	BWR A4 (BWR A Four)
Total	20.00		(INR Twenty Crores only)	

BWR has essentially relied upon the audited financials up to FY13, projected financials for FY14 and FY15 of the Company, publicly available information and information /clarification provided by the Company's management.

The rating factors, inter alia, experience of the promoters in the line of trading of steel and manufacture of electrical transformers, average financial risk profile and customer and supplier relationships. However, the rating is constrained by moderate tangible net worth, low margins, intense competition, volatility in raw material prices and working capital intensive nature of business.

Background:

M/S Hind Steel Sales (HSS) was started in the year 1977 as a partnership firm with Mr. Ramesh Goyal and Mr. Ram Bilas Goyal as partners. The firm was converted into a public limited company by the name M/S Hind Tradex Limited by merging the other sister concerns of the company M/S Shree Balaji Heavy Electricals Private Limited, M/S UP Metblast & Energy Limited and M/S Arrow Retail Private Limited in May 2011 with Mr. Ramesh Goyal, Mr. Anuj Goyal and Ms Sonam Goyal as the directors. The management also changed, although still family-held, during the process of merger and reorganization.

Operations:

The Company is involved in trading of Iron & Steel items such as C.R. coils, H.R. sheet, C.R. sheet, Tin plate, Tin sheets etc and manufacturing of Power and Distribution Transformers . It also trades in electrical goods such as Transformers, Motors, Panels, Cables and Aluminum

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

& Copper conductors. The Company is located in Delhi and also rents a go down, also located in Delhi, in order to store its stock.

Financial Performance:

HTL recorded Net Revenue of Rs.74.22 Cr for FY 13 as against Rs.54.57 Cr in FY12. Profit before Tax (PBT) was Rs.1.26 Cr in FY13 as against Rs.0.15 Cr in FY12. Tangible Net Worth increased from Rs.10.05 Cr as on March 31, 2012 to Rs.11.85 Cr as on March 31, 2013. The Debt-to-Equity of HTL was 1.23 x and the Current ratio was 1.41 x as on March 31, 2013 as against a Debt-to-Equity of 1.07 x and Current ratio of 1.33 x as on March 31, 2012.

On a provisional basis, HTL has reported Total Operating Income of approx. Rs.36.15 Cr in H1FY14.

Rating Outlook:

Going forward, ability of the Company to record consistent growth in sales volumes, ability to meet projections, improve the profitability margins and increase its net worth will be the key rating sensitivities. The outlook for the Company is expected to stable over the next one year.

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