



Rating Rationale

M L Traders

23 July 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of M L Traders.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Cash Credit	2.00	Long Term	BWR B [Pronounced as BWR Single B] Outlook:Stable
Proposed Cash Credit	1.00		
WHR	10.00		
Proposed WHR	2.00		
Total	15.00	INR Fifteen 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 on the audited financials upto FY18, publicly available information and the information/ clarifications provided by the firm's management.

The rating draws strength from the proprietor's experience and the locational advantage of being located in the Mansa cluster. The ratings are however, constrained on account of the inherent risks associated with being a sole proprietorship, customer concentration risk, relatively moderate scale of operations and highly competitive nature of the industry.

Going forward, the ability of the firm, to increase the scale of operations, improve profitability, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- Long existence in the business. High experience of the promoters and established relationship with customers & suppliers.
- Locational advantages as it procures traded goods from local suppliers.
- Efficient working capital management is reflected by utilization of cash-credit limits in between 50-80%.

Credit Risks:

- Erosion of net worth since FY16 due to withdrawal of share capital leading to a low net worth.
- Relatively small scale of operations.
- Intense competition affecting profitability margins resulting in thin profitability margins.
- High gearing and low debt protection metrics.
- Agro climatic risks.

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).

Liquidity Profile

The firm has no group companies. The firm has no liquid investments and cash/bank balances of Rs 0.02cr as on March 31, 2018. The firm's cash credit utilisation varies from month to month and it ranges from 50-80% depending as per the requirements. Current ratio for FY18 is 1.17 times. In regards to the cash flows for maturing debt, there are no long term liabilities. ISCR as on FY18 is 1.12 times. The average receivable cycle is at 8 days in FY18. Conversion cycle has reduced drastically but is still high at 294 days in FY18 against 500 days in FY17. This is because of the very nature of business as they store output resulting in building of inventory as on 31st March. But, they avail WHR facility against this inventory which enables them to sell it at a better price. Liquidity profile of the firm is moderate with the nature of the business being the underlying factor. Imbalance in the payables and receivables will change the profile outlook but the firm has utilized the bank limits as a cushion.



Rating Outlook: Stable

BWR believes the **M L Traders** 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 Company

Established in 2013, M L Traders is a proprietorship concern engaged in the trading of rice bran, phuck, rice bran oil and rice DOC. It is located in Mansa, Punjab. It purchases rice from suppliers and stores it in a warehouse. It sells in Gujarat, Rajasthan and other parts of the countries

Company Financial Performance

The firm has earned a total operating income & PAT of Rs 14.43cr & Rs 0.09cr in FY18 vis-a-vis Rs 10.99cr & Rs 0.13cr in FY17. On provisional basis, the firm has achieved sales in tune of Rs 18.23cr till January 2019.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	14.43	10.99
EBITDA	₹ Cr	0.53	1.37
PAT	₹ Cr	0.09	0.13
Tangible Net worth (Analysed)	₹ Cr	2.13	2.33
Total Debt/Tangible Net worth (Analysed)	Times	4.72	3.48
Current Ratio (Analysed)	Times	1.17	1.28



Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based	Long term	15.00	BWR B [Pronounced as BWR Single B] Outlook:Stable	NA	NA	NA
	Total		15.00	₹ Fifteen Crores Only			

Status of non-cooperation with previous CRA : NA

Any other information : NA

Hyperlink/Reference to applicable Criteria

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

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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.

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