

**RATING RATIONALE**

**Afflatus Trading Private Limited**

**Brickwork Ratings reaffirms, at BWR A2+ (CE), the reduced short-term rating for the bank loan facilities of Afflatus Trading Pvt. Ltd. for Rs. 13.00 Crs**

**Particulars:**

Facilities*	Amount (Rs. Crs)		Tenure	Rating**	
	Previous	Present		Previous (Jan 2020)	Present
<b>Non Fund Based</b>	<b>18.00</b>	<b>13.00</b>	<b>Short Term</b>	<b>BWR A2+ (CE), Reaffirmed</b>	<b>BWR A2+ (CE)^^^, Reaffirmed</b>
<b>Total</b>	<b>18.00</b>	<b>13.00</b>	<b>Rs. Thirteen Crores Only</b>		

\* Details of bank loan facilities are provided in Annexure-I

\*\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

^^ Standalone (unsupported) rating of BWR A4 for the bank loan facilities availed by Afflatus Trading Pvt Ltd reaffirmed. (Assigned on 3/1/2020)

**RATING ACTION: Rating Reaffirmed**

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of Afflatus Trading Pvt. Ltd. (ATPL or the company) upto FY 19, relevant data to the extent available for FY 20, projected financials upto FY 21, publicly available information, and information/clarifications provided by the company's management and its bankers to arrive at the present rating.

BWR has reaffirmed **BWR A2+ (CE)** for the short-term bank loan facilities of Rs. 13.00 Crs of the company. Also, in compliance with regulatory guidelines, BWR has reaffirmed unsupported ratings at **BWR A4** for the Bank Loan Facilities of Rs. 13.00 Crs availed by ATPL.

The reaffirmed rating continues to derive strength from the long track record of the promoters, support of the parent company (Assam Roofing Ltd) and the group which has an established presence in the North East region of the country, long standing relations with suppliers, assured sales to captive customers, as well as adequate liquidity.

The rating is, however, constrained by customer concentration risk, low scale of operations, exposure to foreign exchange fluctuations, and susceptibility to the adverse effect of the changes in import policy.



## KEY RATING DRIVERS

### Credit Strengths:

- **Long track record of promoters and the group Companies:** The promoters have more than four decades of experience in the roofing segment in the NorthEast region. The long track record of the operations in the North eastern region of India by the entire group as a whole, has enabled healthy relationships with the customers and suppliers for all the group companies. However, the customer base for ATPL is only its group companies.
- **Group Support:** The group, which is promoted by Mr. Bhagirath Pasari and family, consists of five companies (Assam Roofing Limited, North East Roofing Private Limited, Afflatus Trading Private Limited, PDP Steels Limited and Assam Enterprise LLP). ATPL is engaged in the trading of Asbestos Fibre, Zinc, Cold Rolled Coil, Cement, Paper Pulp etc. and 100 percent of its sales revenue is generated through sales to its group companies, ARL being its major customer. ATPL operates solely as a purchaser for its group companies against confirmed orders from them.
- **Support of the Parent Company:** ATPL enjoys support from its parent company, ARL which makes advance payments towards all the purchases made by ATPL on behalf of it. ARL has also provided Corporate Guarantee to the bank of ATPL, for the LC limits which have been established.

### Credit Risks:

- **Low Scale of operations:** The scale of operations of ATPL remain low, marked by total operating income of Rs. 117.50 Crs, operating profit margin of 0.48%, net profit margin of 0.14%, tangible net worth of Rs. 1.18 Crs, in FY 19. Total operating income for H1FY20 was reported at Rs. 36.89 Crs. The scale of operations of ATPL has come down due to the reduced requirements from its group companies.
- **Concentration Risk :** ATPL is dependent on its group companies for its entire revenues. The company purchases only against confirmed orders by them, hence, although the possibility of not being able to sell its purchases does not exist, the risk of not having an alternative client base remains.
- **No hedging policy:** Since the company does not have a hedging policy, it is exposed to forex fluctuations. However, as per the management, the hedging cost is not commensurate with the gain ATPL would make through obtaining forex cover. In any case, the exchange risk to the company is mitigated as it is in a position to pass on the entire cost difference to its customers (group companies) .
- **Susceptible to the adverse effect of the changes in Import policy:** Any adverse change in the import policy is likely to impede its operations.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).



## **RATING SENSITIVITIES:**

### **Positive Triggers**

Factors that could lead to an upgrade of the rating include:-

1. Significant improvement in the performance of the group companies - especially of Assam Roofing Ltd., leading to an increase in the topline of ATPL, could lead to an upgrade in the unsupported ratings of ATPL also.
2. Overall improvement in the Operating profit margin on a consistent basis, and substantial improvement in TNW.
3. ISCR greater than 2.5x on a sustained basis

### **Negative Triggers**

Negative pressure on the company's rating could arise:

1. If there is a deterioration in the performance of the group companies, especially of Assam Roofing Ltd, or significant decline in topline of ATPL, which could lead to a downward revision in the unsupported ratings of ATPL also.
2. If there is any change in regulations (including Import policy), which is likely to have adverse impact on the operations of the company.

## **LIQUIDITY POSITION: ADEQUATE**

The company's liquidity position is adequate considering the nature of its operations in which cash deployment is not majorly required, since it obtains payment from its customers (group companies) in advance. Cash accruals of the company stood at Rs. 0.16 crs in FY 19. Expected cash accruals of the company are Rs. 0.16 crs in FY 20 and Rs. 0.18 crs in FY 21, as against negligible repayment obligations. Cash and cash equivalents stood at Rs. 0.79 crs on 31/3/19. The Company has not availed the RBI Covid-19 moratorium and has been servicing the obligations regularly. Since the company is operational, the operating expenses along with the repayment obligations would be met through its operating income.

## **COMPANY PROFILE**

Incorporated in 2010, ATPL runs under the directorship of Mr Bhagirath Pasari and Mr R K Laddha. It is one of the five companies belonging to the Assam Roofing Group, with Assam Roofing Ltd. being the flagship company. The other group companies are North East Roofing Pvt. Ltd (NERPL), PDP Steels Limited (PDPSL), Afflatus Trading Pvt. Ltd (ATPL) and Assam Enterprise LLP (which is debt free). ATPL is a 99.90% subsidiary of ARL.

ATPL is engaged in the trading of Asbestos Fibre, Zinc, Cold Rolled Coil, Cement, Paper Pulp etc. and 100 percent of its sales revenue is generated through sales to its group companies, ARL being its major customer.



## KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY19 (Audited)	FY18 (Audited)
Operating Revenue	Rs. Crs	117.50	89.17
EBITDA	Rs. Crs	0.57	0.60
PAT	Rs. Crs	0.16	0.08
TNW	Rs. Crs	1.18	0.92
Total Debt/TNW	Times	0.00	1.76
Current Ratio	Times	1.14	1.22

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Standard covenants**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY: None**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawals and suspensions):**

Facilities	Current Rating (June 2020)			Rating History			
	Tenure	Amt (Rs. Crs)	Rating	3/1/2020	7/2/19 <sup>^</sup>	26/3/18	12/4/17
Non Fund Based (FB)	Short Term	13.00	BWR A2+ (CE)*, Reaffirmed	BWR A2+ (CE)**, Reaffirmed	BWR A2+ (SO), Reaffirmed	BWR A2+ (SO), Reaffirmed	BWR A2+ (SO), Reaffirmed
<b>Total</b>	<b>Rs. Thirteen Crores Only</b>						

<sup>^</sup> Advisory issued by BWR on 14/9/19 changing the suffix of the rating from (SO) to (CE)

\*Standalone (unsupported) ratings reaffirmed at BWR A4

\*\*Standalone (unsupported) ratings assigned at BWR A4

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

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**Afflatus Trading Pvt. Ltd.**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	State Bank of India	Letter of Credit	-	13.00	13.00
<b>Total (Rupees Thirteen Crores Only)</b>					<b>13.00</b>

**For print and digital media**

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**About Brickwork Ratings:** Brickwork Ratings Private limited (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empanelled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empanelled 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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