

Rating Rationale

Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan Facilities amounting ₹ 6.25 Cr of Aarti Traders

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities amounting ₹ 6.25 Cr of Aarti Traders

Facility	Amount (₹ Cr)	Tenure	Rating
Term Loan (Fund Based)	0.25	Long Term	BWR B (Outlook: Stable)
Cash Credit (Fund Based)	5.00		
Packing Credit/FBP (Fund Based)	1.00	Short Term	BWR A4 (BWR A Four)
Total	6.25	(INR Six Crores Twenty Five Lakhs Only)	

The rating has factored, inter alia, proprietor's competency & extensive business experience in the textile industry, long standing relationship with customers & suppliers, and steady growth in sales turnover over the years. However, the above rating strengths are partially offset by vulnerability to fluctuation in the raw material prices, moderate net worth and coverage indicators. The proposed rating also reflects the working capital intensity of operation as reflected in high gearing. The firm's capital structure is likely to get further stretched if it undertakes any debt funded capex programme in the medium term.

BWR has principally relied upon the audited financial results up to FY12, provisional financial of FY13, projected financials of FY14 & FY15 of Aarti Traders, publicly available information and information/clarification provided by the firm's management.

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

Background

Aarti Traders was started as a proprietary concern by Suresh L. Keswani in 1992 and is located in Thane, Maharashtra. The firm is engaged in manufacturing of Grey fabrics, Finish fabrics, Embroidery works and Doubling & Twisting of yarn. The major raw materials required are Grey cloth and indigenous chemicals for the colouring of the fabrics. The firm has a manufacturing unit in Thane with the carpet area of 4000 sq. ft.

Management Profile

Suresh Keswani started Aarti Traders as proprietorship concern in 1992. Prior to this, he had experience of working in various textile firms. Kamal Keswani (son of Suresh Keswani) joined the family business after completing his graduation. He has been involved in the business for the past 7 years and looks after production & day to day operation of the firm.

Financial Performance

The firm's sales turnover has surged 61.35% from ₹14.62 Crores in FY12 to ₹23.59 Crores in FY13 due to addition of new customers and increased orders from the existing customers. The firm has reported Profit before Tax of ₹0.35 Crore in FY2012-13 as compared to ₹0.19 Crore in FY2011-12. The firm's Profit Margin is seen at 1.48 per cent and 1.30 per cent for FY2012-13 and FY2011-12 respectively. Tangible Net worth stood at ₹1.74 Crores as on March 31, 2013 as compared to ₹1.41 Crores as on March 31, 2012.

Rating Outlook

The firm's financial risk profile will remain modest over the medium term and its operations in the short term are expected to be stable. Going forward, healthy growth in terms of sales turnover, further customer diversification, improvement in profit margins & liquidity and increase in net worth by additional capital infusion by the proprietor, would be key rating sensitivities.

analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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