

Rating Rationale

Brickwork Ratings assigns ‘BWR B+’ & ‘BWR A4’ for the Bank Loan Facilities aggregating ₹ 7.64 Cr of Aishwarya Trading Company

Brickwork Ratings has assigned following **Rating**¹ for Bank Credit Facilities of Aishwarya Trading Company (“ATC” or “the firm”).

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit Existing Limit	3.50	Long Term	BWR B + (BWR B Plus) (Outlook: Stable)
Cash Credit Proposed Limit	3.50		
Term Loan	0.60		
Bank Guarantee	0.04	Short Term	BWR A4 (BWR A Four)
Total	7.64	INR Seven Crores and Sixty Four Lakhs only	

BWR has essentially relied upon the audited financial results of ATC up to FY13, projections for FY14 and FY15, and information and clarifications provided by the management of the firm.

The rating factors, inter alia, long existence of the firm and promoter’s experience in the industry, modernization of equipment and place of operation- Andhra Pradesh, one of the highest contributors to Agricultural sector in India. However, the rating is constrained by low profitability, volatility in sales, low bargaining power with customer, low networth, high gearing level, high working capital requirement and seasonality and unpredictability of the availability of raw materials.

Background:

ATC is a partnership firm established in the year 1981. The firm is involved in the business of rice milling – raw rice, steamed and boiled. Firm has infrastructure including boiler, steamers, dryer, milling and colour sortex machines. Minimum 75% of processed rice is sold to Food Corporation of India (FCI) as part of central government’s levy procurement. This mandatory procurement of levy condition should be satisfied to receive permit to sell the rest 25% of production across the state and interstate. Rice to Non-FCI customers are sold under the brand name of ‘Deepak’.

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

Financial Performance

The firm's revenue has decreased from ₹24.36Cr in FY12 to ₹22.55Cr in FY13. Net profit of the firm in FY13 is ₹0.13Cr and Net Profit margin is 0.57%. Tangible Net Worth of the firm is at ₹1.38Cr in FY13. If Unsecured Loans of ₹3.95Cr from Partner's family & relatives is adjusted, the net worth would be ₹5.53Cr. Interest Service Coverage Ratio was 1.87x in FY13.

Rating Outlook:

The rating reflects the position of the firm in the segment of the industry it caters to. Going forward, ability of the firm to meet its projected revenue, efficient working capital management, strengthening its capital structure and improving profitability will be key rating sensitivities.

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Annexure I

Profit & Loss Account

(₹ Cr)	FY11	FY12	FY13
Result Type	Audited	Audited	Audited
Net Sales	19.85	24.36	22.55
Other Operating Income	0.08	0.09	0.23
Total Operating Income	19.93	24.45	22.78
Operating Expenses	19.33	23.42	21.61
Operating Profit Before Depreciation, Interest and Taxes	0.60	1.03	1.17
Depreciation/Amortization/Impairment	0.33	0.53	0.51
Operating Profit Before Interest and Tax	0.27	0.50	0.66
Interest and Finance Charges	0.21	0.43	0.53
Operating Profit Before Tax	0.06	0.07	0.13
Non-Operating Income(Expenses)	0.01	0.02	0.00
Profit Before Tax	0.07	0.09	0.13

Annexure II

Balance Sheet

(₹ Cr)	FY11 Audited	FY12 Audited	FY13 Audited
EQUITY AND LIABILITIES	0.93	1.34	1.38
Share capital	0.84	1.23	1.23
Reserves and Surplus	0.09	0.11	0.15
Non-current liabilities	3.15	5.39	4.39
Long-Term Borrowings	3.15	5.39	4.39
Current liabilities	1.46	0.68	3.99
Short-Term Borrowings	0.93	0.62	3.17
Trade Payables	0.53	0.06	0.81
Short-Term Provisions	0.00	0.00	0.01
Total Liabilities	5.54	7.41	9.76
ASSETS			
Non-current assets	3.06	3.79	3.28
Net Fixed assets	2.92	3.44	3.02
Other Non-Current assets	0.14	0.35	0.26
Current assets	2.48	3.62	6.48
Inventories	1.43	1.83	1.76
Trade Receivables < Six Months	0.89	1.72	2.90
Cash and Cash Equivalents	0.15	0.05	1.81
Other Current Assets	0.02	0.02	0.01
Total Assets	5.54	7.41	9.76