

Rating Rationale

Brickwork Ratings assigns 'BWR B' Rating with Stable Outlook for long-term Bank Loan Facilities of Anadi Mercantile Pvt. Ltd. amounting to ₹ 7.20 Crores

Brickwork Ratings assigns '**BWR B**' (**Pronounced BWR Single B**) rating with **Stable Outlook** for long-term Bank Loan Facilities of Anadi Mercantile Pvt. Ltd. amounting to ₹ 7.20 Crores.

The rating factors, inter alia, the experience of the promoter in the renting business, long operating history of the Company and the leasing contract with a reputed firm, which ensures recurring rental income for the Company. However, the rating is constrained by the small size of operations, low Net worth and low net cash accruals of the Company.

Company Profile

Anadi Mercantile Pvt Ltd, incorporated in 1985, is solely into the business of renting property to other companies on contractual basis. Mr. Deepak Tyagi, the founder of the Company owns a building in Sector 16, Noida which the Company has rented to a reputed firm based out of Noida. The said premise at Sector 16, Noida has been leased to a reputed firm and they have been assigned the rights to use the common areas, entrances, and facilities with the premises as a fully functional office for carrying out the activity of IT enabled services. The premise has approximately 10, 100 sq ft of area. Anadi Mercantile Pvt Ltd has also given the right to use the Roof Terrace for installing communication equipment like radio tower and dish antenna.

Anadi Mercantile Pvt Ltd's registered office is at New Delhi and factory is at Sector 16, Noida. The Company started renting to a reputed firm in 2009. Prior to this, the Company was renting its premises to an IT firm based out of Noida.

Anadi Mercantile Pvt Ltd entered into a contractual agreement with the lessee in 2009. The lease agreement was signed on April 01, 2009 at Noida. The Lease agreement is valid for 9 years from this date. This contract has to be renewed every 3 years with an approximate hike of 10% in the rent. In January 2013, the agreement has been renewed with the Company. Anadi Mercantile Pvt Ltd has been receiving rental income of ₹ 7.33 Lakhs every month. In January

2013, the rent has been hiked by 17% to approximately ₹ 8.57 Lakhs per month. Anadi Mercantile Pvt Ltd is entitled to receive the rent on or before 7th of every month.

Details of the agreement with the Lessee

The Lease agreement was initially for a period of 3 years commencing from Jan 21, 2009 with option with the company to have the term of this agreement renewed for further period of 3 years each. The total aggregate period of this agreement was for 9 years. On the expiry of the initial lease term of 3 years under the agreement both the Company/ Lessee and the owner/ Lessor would enter into fresh agreement of 3 years each at the option of the Lessee. The lock in period is at least 3 years.

As per promoter, the current Valuation of their rented property is approximately ₹ 12 Crores.

Board/Management

The Chief Promoter of the company is Mr. Deepak Tyagi. Ms. Princee Tyagi, Dhruv Tyagi, Swati Tyagi and Sunil Tyagi hold most of shareholding.

Financial Performance

Net revenue of the company improved to ₹ 0.89 Crores in FY12 from ₹ 0.68 Crores in FY11. There was only a slight decline in the Profit after tax from ₹ 0.09 Crores in FY11 to ₹ 0.04 Crores in FY12. Net worth stood at ₹ 2.10 Crores in FY12 when compared to ₹ 2.00 Crores in FY11. Total long term borrowings increased to ₹ 7.33 Crores in FY12 when compared to ₹ 2.66 Crores in FY11. As a result, Company's debt equity ratio increased from 1.41 in FY11 to 3.76 in FY12. The key financial parameters are also listed as under:

Particulars	FY11(₹ Cr)	FY12 (₹ Cr)
Gross revenue	0.68	0.89
Profit before tax	0.23	0.05
Retained earnings	0.09	0.04
Capital employed	1.87	1.95
Share Capital	1.88	1.95
Borrowings	2.66	7.33

Rating Outlook

Going forward, growth in demand for real estate, financial performance of the company and the ability of the Company to improve its cash flow generation would be the key rating sensitivities. It is also very crucial for the Company to meet its payment obligations in time as that will help them raise funds at competitive rates and reduce interest burden.

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Anadi Mercantile Pvt. Ltd.
Annexure

Annexure1: Profit & Loss

(₹ Crores)

As on March 31	2010	2011	2012
Other income- Rental income	0.60	0.68	0.89
Net revenue	0.60	0.68	0.89
Total operating expenses	0.44	0.07	0.18
Operating Profit Before Depreciation, Interest and Taxes	0.16	0.61	0.71
Depreciation and amortization	0.00074	0.00074	0.00065
Operating Profit Before Interest and Tax	0.15	0.60	0.70
Net Interest and finance charges	0.00095	0.37	0.65
Operating Profit Before Tax	0.15	0.23	0.05
Non-operating income (Expense)	-	-	-
Adjusted Profit Before Tax	0.15	0.23	0.05
Provision for taxation	0.13	0.14	0.01
Adjusted Profit After Tax	0.02	0.09	0.04

Anadi Mercantile Pvt. Ltd.

Annexure2: Balance Sheet

(₹ Crores)

As on March 31	2010	2011	2012
Liabilities and equity			
Share capital	1.79	1.88	1.95
Share Application money Pending allotment	0.25	0.25	0.25
Reserves and Surplus	0.12	0.12	0.15
Non-current liabilities	0.02	2.66	7.33
Long-Term Borrowings	0.02	2.66	7.33
Current liabilities	3.23	0.92	0.74
Trade Payables	0.08	0.07	0.05
Other Current Liabilities	3.14	0.85	0.70
Short-Term Provisions	-	-	-
Total Liabilities	5.04	5.46	10.02
Assets			
Non-current assets	1.47	5.45	5.36
Net fixed assets	-	-	-
Noncurrent investments	1.47	2.64	2.77
Long term loans and advances	-	2.81	2.59
Current assets	3.56	0.01	4.66
Cash balance	0.01	0.01	4.66
Short term loans advances	3.55	-	4.59
Total assets	5.04	5.46	10.02

Anadi Mercantile Pvt. Ltd.

Annexure3: Key Ratios

As on March 31	2010	2011	2012
Total Debt/ Tangible Net worth	0.01	1.41	3.76
Interest Service Coverage Ratio	0.00063	0.61	0.92
Debt Service Coverage Ratio	1.08	0.62	-0.23
Tangible Net Worth (Rs Crores)	1.79	1.88	1.95
Net Profit Margin (%)	3.33%	13.24%	4.49%
Net Cash Accruals/Total Debt	0.50	0.03	0.01
ROCE (%)	5.13%	2.97%	0.52%
Current Ratio	1.10	0.01	6.31