

Rating Report

Brickwork Ratings assigns 'BWR C' rating for the Bank Loan Facilities of ₹ 8.90 Cr of Arihant Wheels and Cycles Private Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan facilities of ₹ 8.90 Cr of Arihant Wheels and Cycles Private Limited, sanctioned by Union Bank of India

Facility	Limits (₹ Cr)	Tenure	Rating
<u>Fund Based</u>			
Cash Credit	4.54	Long Term	BWR C (Pronounced BWR C)
Term Loan 1	1.07		
Term Loan 2	3.29		
Total	8.90	(INR Eight Crores and Ninety Lakhs only)	

Term Loan 1 and Term Loan 2 are outstanding as on 31st March 2015

BWR has principally relied upon the audited financial results of FY12, FY13, FY14 and projections of FY15 & FY16, publicly available information and information/clarifications provided by the management.

The rating reflects the promoters' experience in the bicycle industry, established relationship with key customers which mainly include OEM's (Original Equipment Manufacturers), healthy growth of more than 2 times in total revenue from operations in FY14, positive PAT in FY14 after reporting net loss for two consecutive previous years.

However, the rating is constrained by Company's limited track record, low scale of operations, leveraged capital structure with weak debt protection metrics, stretched liquidity position with timely servicing of debt obligation and susceptibility of profitability to volatility in raw material prices.

Background

Arihant Wheels and Cycles Private Limited (AWCPL) was incorporated in 2007 and started its commercial production in 2011 with manufacturing of bicycle chains. The Company is promoted by Mr. Bimal Choudhary and Mr. K. K. Choudhary and has its registered office situated in Gorakhpur, Uttar Pradesh. AWCPL is a part of Laxmi Group of industries which is operating since 1993 through Laxmi Cycle Industries Private Limited engaged in manufacturing of Bicycle including Multi Terrain Bike (MTB) & Sports Light Roadster (SLR) and heavy duty rims.

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

Subsequently in 2013, Company also started manufacturing of bicycle rim and is currently is engaged in the manufacturing of both chain & rim. It is also engaged in trading of bicycle parts such as stand, carrier, pedal, chain wheels, free wheels and handle.

Trading business accounts for ~4-5% of total revenue and rest ~ 95% is from manufacturing. In manufacturing, ~70% of business accounts from Rim and rest 30% is from Chain. The Company has an installed capacity of 3.60 lakhs chains and 4.50 lakhs rim per year. The Company caters to the major OEM's like T.I. Cycles of India, Tata International Limited and other cycle manufacturers situated in Eastern U.P. and Western U.P., West Bengal, Orissa, Bihar, Jharkhand. Major raw material is cold rolled sheets and are procured from suppliers like M/s Bhushan Power & Steel Limited, Surya Roshni Limited etc.

Financial Performance:

AWCPL reported total revenue from operations of Rs. 12.77 Crores in FY14 as against Rs. 5.26 Crs in FY13 Operating profit margin and Net profit margin of the Company were at 17.98% and 0.18% respectively in FY14 as against 18.33% and (5.36) % in FY13. Tangible net worth stood at Rs. 1.79 Crores as on March 31, 2014. The Company has informed of achieving a turnover of Rs. 20.10 Crores for FY15.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the Company's ability to increase the scale of operation while sustaining profitability, rationalize its capital structure and manage working capital efficiently thereby timely servicing of its debt obligations would be the key rating sensitivities.

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

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Annexure I
Statement of Profit & Loss
Arihant Wheels and Cycles Private Limited

₹ Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Gross Sales	3.46	5.26	12.77
Net Sales	3.47	5.88	13.40
Other Operating Income	0.24	0.47	0.16
Total Operating Income	3.71	6.35	13.56
Operating Expenses	2.92	5.19	11.12
OPBDIT	0.79	1.16	2.44
Depreciation/Amortization/Impairment	0.15	0.20	0.48
OPBIT	0.64	0.96	1.96
Interest and Finance Charges	0.60	0.90	1.77
OPBT	0.04	0.06	0.19
Non Operating Income(Expenses)	-0.02	0.01	0.01
PBT	0.02	0.07	0.21
PAT	-0.08	-0.34	0.02

Annexure II
Balance Sheet
Arihant Wheels and Cycles Private Limited

₹ Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
LIABILITIES			
Equity and Reserves	0.59	1.25	1.79
Share capital	0.90	1.90	2.42
Reserves and Surplus	-0.31	-0.65	-0.63
Non-current liabilities	4.13	9.07	8.26
Long-Term Borrowings	3.92	8.45	7.48
Deferred tax Liabilities (Net)	0.21	0.62	0.79
Current liabilities	1.98	8.24	9.51
Short-Term Borrowings	1.44	4.54	4.54
Current Portion Of Long Term Debt	0.00	0.82	1.26
Trade Payables	0.51	2.70	3.36
Other Current Liabilities	0.01	0.17	0.30
Short-Term Provisions	0.02	0.02	0.05
Total Liabilities	6.69	18.56	19.56
ASSETS			
Non-current assets	4.07	11.13	10.81
Net Fixed assets	4.04	11.03	10.71
Long Term Loans and Advances	0.02	0.10	0.10
Current assets	2.63	7.44	8.75
Inventories	2.10	5.28	6.12
Trade Receivables > Six Months	0.01	0.03	0.08
Trade Receivables < Six Months	0.38	1.23	1.78
Cash and Cash Equivalents	0.07	0.09	0.18
Short-Term Loans and Advances	0.03	0.48	0.30
Other Current Assets	0.05	0.32	0.29
Total Assets	6.69	18.56	19.56