

Rating Report

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 9 Cr of M/s Arun Trade Combines.

Brickwork Ratings has assigned the following **Ratings**¹ for Bank Loan Facilities of M/s Arun Trade Combines (*The Firm*).

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit	2.50	Long Term	BWR B+ (Pronounced BWR B Plus) (Outlook: Stable)
Non Fund Based: Bank Guarantee	6.50	Short Term	BWR A4 (Pronounced BWR A Four)
Total	9.00	(INR Nine Crores only)	

BWR has essentially relied upon the audited financials up to FY 13, projected financials of FY14 & FY15, publicly available information and information/clarifications provided by partners of the Firm.

The rating factors, inter alia, the vast experience of the partners in dealership business, the firm's established market presence in few districts of Chhattisgarh and absence of long term external debt. However, the ratings are constrained by average financial risk profile marked by moderate gearing ratio, low capital base and thin profitability margins. The ratings are also constrained by stiff competition and demand for tractors in the area of its presence.

Background

M/s Arun Trade Combines was established in 2012 and its registered office is located at Deopuri, Raipur. Firm is an authorized dealer for Mahindra and Mahindra Tractors and agricultural equipments. There are eight retail outlets across Raipur, Gariaband and Baloda Bazar districts of Chhattisgarh. Firm deals with different models of tractors ranging from 15Hp to 60 HP.

The firm's partners are Mr. Anup Kumar Agrawal, Mr. Santosh Kumar Agrawal and Mrs. Gunjan Agrawal. Mr. Anup Kumar Agrawal and Mr. Santosh Kumar Agrawal have two decades of experience in the dealership business.

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

Financial Performance

Net revenue from operations decreased from Rs. 113.31 Cr in FY12 to Rs. 95.00 Cr in FY13. The firm reported operating and net profit margins at 2.04 per cent and 0.33 per cent in FY13 against 1.92 per cent and 0.32 per cent respectively during FY12. The tangible net-worth of the firm stood at Rs. 1.52 Cr during FY13. The firm has retained unsecured loans of Rs. 1.34 Cr from family and friends in FY13. The firm has no external long term borrowings from banks. The firm has stretched liquidity position reflected from current ratio of 1.05 times in FY13. The firm operating cycle is of 31 days during FY13. Key Financials are presented in Annexures.

Rating Outlook:

The outlook of the firm for the next one year is expected to be stable. Going forward, ability of the firm to sustain the profitability margins, to improve capital base and to manage working capital efficiently will remain key rating sensitivities.

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Annexure I			
Arun Trade Combines			
Statement of Profit and Loss		In ₹ Crores	
	31-03-2011 (Audited)	31-03-2012 (Audited)	31-03-2013 (Audited)
Gross Sales	107.52	113.31	95.00
Operating Income	1.28	1.05	0.77
Total Operating Income	108.80	114.36	95.77
Operating Expenses	106.96	112.16	93.82
Operating Profit Before Depreciation, Interest and Taxes	1.84	2.20	1.95
Depreciation	0.12	0.15	0.14
Operating Profit Before Interest and Tax	1.72	2.05	1.81
Interest and Finance Charges	1.50	1.82	1.63
Operating Profit Before Tax	0.22	0.23	0.18
Non- Operating Income(Expenses)	0.08	0.13	0.14
Profit Before Tax	0.30	0.36	0.32
Provision for Taxes	---	---	---
Profit After Tax	0.30	0.36	0.32

Annexure II			
Arun Trade Combines			
Balance Sheet	In ₹ Crores		
	31-03-2011 (Audited)	31-03-2012 (Audited)	31-03-2013 (Audited)
EQUITY AND LIABILITIES			
Equity and Reserves	1.63	1.52	1.52
Partners capital- including reserves	1.63	1.52	1.52
Non-current liabilities	1.50	2.14	1.34
Loans from Promoters and family members	1.50	2.14	1.34
Current liabilities	19.29	17.79	12.21
Short-Term Borrowings from Banks	0.35	1.59	---
Other short term borrowings	8.29	5.64	4.57
Trade Payables	5.06	9.96	3.67
Short term provisions	0.22	0.47	0.64
Other Current Liabilities	5.37	0.13	3.33
Total Liabilities	22.42	21.45	15.07
ASSETS			
Non-current assets	2.36	2.76	2.28
Net Fixed assets	0.79	0.96	0.85
Non-Current Investments	1.27	1.64	0.91
Long term Loans and advances	0.30	0.16	0.52
Current assets	20.06	18.69	12.79
Cash and Cash Equivalentents	0.09	0.16	0.16
Inventory	18.23	15.33	9.27
Short-Term Loans and Advances	0.23	0.00	0.12
Trade Receivables < Six Months	1.50	3.20	3.24
Total Assets	22.42	21.45	15.07