

Press Release

Aryavrat Trading Private Limited (ATPL)

10 February, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs.16.00 Cr
Long Term Rating	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)

*Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating on the Rs.16.00 crore bank facility of Aryavrat Trading Private Limited (ATPL) to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA BB**' (read as SMERA double B). The outlook is '**Stable**'.

The downgrade factors in the significant deterioration in the business and financial risk profiles. ATPL had witnessed a sharp decline in revenue to Rs.30.87 crore in FY2016 from Rs.76.29 crore in FY2015. However, the company has reported revenue of around Rs.34 crore from April 2016 till December 2016 (Provisional). The weak financial risk profile is marked by aggressive capital structure and weak debt protection metrics. The rating also factors in the stretched working capital cycle due to stretched debtor days.

The company is a part of the Wearit Group that has business interests in tea, textiles and power. The group is headed by Mr. Manish Kumar, Managing Director. ATPL is engaged in the trading of cotton and synthetic yarns and fibre.

List of key rating drivers and their detailed description

Strength:

Experienced management: Established in 1999, ATPL is part of the Wearit Group that has business interests in tea, textiles and power. The group is headed by Mr. Manish Kumar, Managing Director and supported by an experienced team.

Weaknesses:

Weak financial risk profile: The weak financial risk profile is marked by high gearing of 2.04 times, moderate interest coverage of 1.05 times and low Net Cash Accruals to Total Debt of 0.01 times in FY2016. The Debt Service Coverage Ratio stood at 1.05 times and the net worth at Rs.7.88 crore in FY2016.

Thin profit margins: The net profit margin has been at a low of 0.13 percent in FY2016 as compared to 0.17 percent in FY2015. The trading nature of operations has led to lower margin.

Working capital intensive operations: The operations continue to be working capital intensive marked by high gross current asset days (GCA) of 286 in FY2016 as compared to 146 days in FY2015. The debtor days stood at 163 in FY2016 compared to 92 in FY2015 due to stretched receivable cycle. The inventory days have been high at 118 in FY2016 compared to 50 in FY2015. The high inventory days were a result of fluctuations in raw material prices (mainly crude oil).

The bank limit utilisation levels (Cash Credit facility) during the last six months ended December, 2016 have been almost 100 per cent.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Trading entities- <https://www.smerra.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook on ATPL's rated facilities will remain stable over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant increment in its profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability and stretched working capital cycle.

About the Rated Entity

Incorporated in 1999, ATPL started off as an investment company and subsequently forayed into trading of cotton, synthetic yarns and fibre from May 2010. The company was promoted by Mr. Manish Kumar.

For FY2015-16, the company reported PAT of Rs.0.04 crore on operating income of Rs.30.87 crore as compared to PAT of Rs.0.13 crore on total operating income of Rs.76.29 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	16.00	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)	-	-	16 Nov, 2015	SMERA BB/Stable (Assigned)	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	16.00	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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