

Press Release

Aarti Traders

May 16, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 7.00 crore bank facilities of Aarti Traders. The outlook is '**Stable**'.

The Mumbai - based Aarti Traders is a proprietorship concern established in 1992 by Mr. Suresh Kesvani. The firm is engaged in processing of grey fabric which includes dyeing, embroidery and packaging.

Key Rating Drivers

Strengths

- Long track record of operations and Experienced Management**

Aarti Traders has been engaged in processing of grey fabric since 1992. The proprietor of the firm viz. Mr. Suresh Kesvani has more than two decades of experience in the textile processing industry.

- Moderate revenue growth**

Revenue of Aarti Traders has grown at CAGR of 12.50 percent for the period FY2013-14 to FY2015-16. Revenues increased from Rs.36.96 cr for FY2013-14 to Rs.47.10 cr for FY2015-16. Further, the firm has registered revenue of Rs.35.98 for the period April 2016 to December 2016 (provisional). Going forward, SMERA expects the firm to register healthy revenue growth as it has ventured in to the export market and has orders worth Rs.10.00 crore from Dubai in hand.

- Stable profit margins**

EBITDA margins of Aarti Traders improved in 3.57 per cent in FY2014-15 from 1.37 per cent in FY2013-14. The firm has been able to maintain its margins thereafter with it registering EBITDA of 3.35 per cent in FY2015-16. Going ahead, SMERA believes that Aarti Traders will be able to register marginally higher EBITDA margins as the firm will start catering to the export market.

- Moderate financial risk profile**

Aarti Traders has a moderate financial risk profile marked by net worth of Rs.6.16 cr as on march 31, 2016. Tangible net worth includes unsecured loans of Rs.2.80 cr which are subordinated to bank debt and hence treated as quasi equity. The gearing of the firm stood at 1.12 times as on 31 March 2016 and interest coverage ratio stood at 1.87 times for FY2015-16.

Weaknesses

- Working capital intensive nature of operations**

The business of Aarti Traders is working capital intensive as the firm receives low credit period from its suppliers. Creditor days stood at around 7- 10 days during the period under study. further, the working capital limits of the firm is fully utilised at around 95 per cent.

- Presence in a highly fragmented and competitive textile industry**

Aarti Traders operates in a highly fragmented and competitive textile industry with limited entry barriers. The presence of large number of players in the unorganized sector limits the bargaining power of the firm with its customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AT

Outlook: Stable

SMERA believes that Aarti Traders will have a Stable outlook on the back of its established presence in the textile industry and experienced management. The outlook may be revised to 'Positive' if firm's scale of operations increases substantially, while also improving its operating profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenues, decline in profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

In FY2015-16, the firm reported net profit of Rs. 0.62 cr on operating income of Rs.47.10 cr as against net profit of Rs.0.61 cr on operating income of Rs. 44.31 cr in the previous year. The net worth stood at Rs.6.16 cr as on March 31, 2016 as compared to Rs. 6.15 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable)

Brickwork, vide release dated December 30, 2016 has not reviewed its ratings on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B+ / Stable

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ABOUT SMERA

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