

April 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB/Stable (Assigned)
Cash Credit (proposed)	2.00	SMERA BB/Stable (Assigned)
Bank Guarantee	20.00	SMERA A4+ (Assigned)
Bank Guarantee (proposed)	5.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Ajay Trading Company (ATC). The outlook is '**Stable**'. The ratings draw comfort from the firm's established operations, experienced management and moderate financial risk profile. The ratings are also supported by the firm's efficient working capital management. However, the ratings are constrained by the firm's modest-scale operations and low profitability. The ratings are also constrained by the firm's exposure to intense competitive pressure. The ratings factor in risks related to the partnership constitution of the firm.

ATC, established in 1974, is a Kolkata-based partnership firm engaged in trading of coal. ATC benefits from its experienced management. Mr. Ajay Jain, partner of ATC, has around three decades of experience in the firm's line of business. Mr. Ashwani Kumar Jain is a second generation entrepreneur with around two decades of experience in the firm's business. ATC's moderate financial risk profile is reflected in gearing (debt-to-net worth ratio) of 1.46 times as on March 31, 2014 and interest coverage ratio of 1.76 times in FY2013-14 (refers to financial year, April 01 to March 31).

ATC's efficient working capital management is reflected in working capital cycle of 12 days in FY2013-14. The firm's comfortable liquidity position is evidenced by low utilisation (18 per cent) of working capital limit during August 2014 to January 2015.

ATC has modest-scale operations with revenue of Rs.81.90 crore in FY2013-14. The firm has registered revenue of Rs.60.00 crore (provisional) for the period April 2014 to February 2015. ATC's net worth is modest at Rs.3.96 crore as on March 31, 2014. The firm's net profit margin is low at 0.88 per cent in FY2013-14 given the trading nature of the business.

ATC operates in a highly competitive and fragmented industry. The firm's financial profile is susceptible to withdrawal of capital by partners.

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Outlook: Stable

SMERA believes ATC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in scale of operations while maintaining a comfortable capital structure and achieving sustained improvement in profit margins. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile and liquidity position.

About the firm

ATC, established in 1974, is a Kolkata-based partnership firm promoted by members of the Jain family. The overall operations of the firm are currently managed by Mr. Ajay Jain, Mr. Ashwani Jain and Mr. Mayank Jain. ATC initially operated as a liaison agent for Coal India Limited. The firm started domestic trading of coal in 2004.

ATC procures coal from subsidiaries of Coal India Limited. The firm caters to traders in Uttar Pradesh, Jharkhand and Bihar.

For FY2013-14, ATC reported profit after tax (PAT) of Rs.0.72 crore on operating income of Rs.81.90 crore, as compared with PAT of Rs.0.63 crore on operating income of Rs.78.97 crore in FY2012-13. The firm's net worth stood at Rs.3.96 crore as on March 31, 2014, as compared with Rs.3.55 crore a year earlier.

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