

Ajay Trading Company: Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	5.00 (Enhanced from 4.00)	SMERA BB/Stable (Reaffirmed)
Cash Credit (Proposed)	1.00	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	25.00 (Enhanced from 20.00)	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.31.00 crore bank facilities of Ajay Trading Company (ATC). The outlook is '**Stable**'. The ratings continue to draw support from the firm's established operations, experienced management and moderate financial risk profile. However, the ratings are constrained by the modest scale of operations, low profitability and partnership constitution of the firm. The ratings are also constrained by the firm's exposure to intense market competition.

Update

Revenues of ATC have been modest at Rs.82.11 crore in FY2014-15 (refers to financial year, April 01 to March 31) as compared to Rs.81.90 crore in FY2013-14. The operating margins declined from 1.78 per cent in FY2013-14 to 1.45 per cent in FY2014-15. As per provisional data, the firm booked revenues of Rs.79.23 crore and net profits of Rs.0.84 crore in FY2015-16. The moderate financial risk profile is reflected in the gearing of 0.83 times as on March 31, 2015. The interest coverage ratio stands at around 1.75 times in FY2015. The average cash credit utilisation stands at around 56 per cent from September, 2015 to February, 2016 with high utilisation of 94 per cent in December, 2015 to February, 2016 on account of delay in receivables from customers.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Maintaining comfortable capital structure

Outlook-Stable

SMERA believes that ATC will benefit from the experience of its promoters over the medium term. The outlook may be revised to 'Positive' in case the firm significantly scales up its operations with improvement in profitability while maintaining the capital structure. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile, particularly liquidity because of larger-than-expected working capital requirements or decline in cash accruals.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Firm

ATC, established in 1974, is a Kolkata-based partnership firm promoted by Mr Jain and family. The overall operations are managed by Mr. Ajay Jain, Mr. Ashwani Jain and Mr. Mayank Jain. The firm started off as a liaison agent for Coal India Limited by trading in coal in 2004. The firm started domestic trading of coal in 2004. It procures coal from subsidiaries of Coal India Limited and private mines of Nagaland and Meghalaya. ATC caters to traders in Uttar Pradesh, Jharkhand and Bihar.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating Outlook
			Long Term	Short Term	
02 April, 2015	Cash Credit	4.00	BB		Stable
	Cash Credit (Proposed)	2.00	BB		Stable
	Bank Guarantee	20.00		A4+	
	Bank Guarantee (Proposed)	5.00		A4+	

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ABOUT SMERA

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