

Press Release

23 March, 2018



Anandi Marketing (AM)

Rating Assigned

Total Bank Facilities Rated	Rs. 5.00 Cr#
Long Term Rating	SMERA B+/Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of **'SMERA B+ (read as 'SMERA B plus)** on the abovementioned bank facilities of Anandi Marketing (AM). The outlook is **Stable**.

The Hyderabad-based proprietorship firm Anandi Marketing was established in 2015 by Mr Akhilesh Vyas. The firm is engaged in the trading of TMT rods, sponge iron, cement and coal.

Key rating drivers

Strengths:

Experienced management: The day-to-day operations are led by Mr Kailash Vyas who has around two decades of experience in the trading of the aforementioned.

Healthy revenue growth: The operating income stood at Rs. 91.19 crore for FY2017 as against Rs.25.38 crore for FY2016. The firm reported increase of revenue of around 260 percent in FY2017 over FY2016 mainly on account of healthy relations with customers and focus on volume sales. Further, the firm registered revenue of Rs. 125.00 crore from April to November, 2017.

Weaknesses

Limited operational track record: Since the firm was established in 2015, the track record of operations is limited.

Low profitability: The net profit margin stood at 0.87 percent in FY2017 as against 1.18 percent for FY2016. Further, the net profitability stood at 0.83 percent in FY2017 as against 1.17 in the previous year mainly due to the trading nature of operations.

Average financial risk profile: The financial risk profile is average marked by net worth of Rs.4.30 crore as on 31 March, 2017 as against Rs.0.32 crore in the previous year. The networth includes interest bearing unsecured loan of Rs. 3.55 crore from related parties.

The gearing stood at 0.09 times as on 31 March, 2017. The total debt of Rs.0.40 crore consists of cash credit facility as on 31 March, 2017. Going forward the debt on books is expected to increase considering the additional working capital limit of Rs.5.00 crore availed. The firm has no long term borrowings as on 31 March, 2017. The net cash accruals stood at 0.76 crore as on 31 March, 2017.

Intense competition: The firm faces intense competition from various players in India.

Highly competitive industry: AM operates in a highly competitive steel industry with much pressure on capacity utilisation and pricing. This is likely to have an impact on its operating performance and profitability. The steel industry is cyclical in nature and so are end user industries like real estate and construction. Besides, AM faces competition from other reputed brands in the industry.

Risk of capital withdrawal: The proprietorship constitution of the firm makes it vulnerable to the risk of capital withdrawal.

Outlook: Stable

SMERA believes that AM will maintain a stable outlook in the medium term owing to its promoters' extensive experience. The outlook may be revised to 'Positive' if the firm registers significant growth in revenue while improving profitability and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the expected revenue or profitability leading to deterioration in the debt protection metrics.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AM.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	91.19	25.38	-
EBITDA	Rs. Cr.	0.80	0.30	-
PAT	Rs. Cr.	0.75	0.30	-
EBITDA Margin (%)	(%)	0.87	1.18	-
PAT Margin (%)	(%)	0.83	1.17	-
ROCE (%)	(%)	31.57	187.96	-
Total Debt/Tangible Net Worth	Times	0.09	0.00	-
PBDIT/Interest	Times	21.41	240.34	-
Total Debt/PBDIT	Times	0.50	-	-
Gross Current Assets (Days)	Days	1.81	1.05	-

About the Rated Entity - Key Financials

For FY2016-17, AM reported net profit of Rs.0.75 crore on total operating income of Rs.91.19 crore compared with PAT of Rs 0.30 crore on total operating income of Rs.25.38 crore in FY2016. The tangible net worth stood at Rs. 4.30 crore as on 31 March, 2017 as against Rs. 0.32 crore in the previous year.

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument<https://www.smera.in/criteria-complexity-levels.htm>**Rating History (Upto last three years): NA*****Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed Cash Credit	N.A.	N.A.	N.A.	5.00	SMERA B+/Stable

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ABOUT SMERA

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