



SMERA RATINGS LIMITED

**Brahamdutt & Sons (BDS)****Rating  
Rationale****October 03, 2013**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.81	SMERA B-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (read as **SMERA single B minus**) to the above-mentioned bank facilities of Brahamdutt & Sons (BDS). The outlook is '**Stable**'. The rating is constrained by the firm's small scale of operations and weak financial profile marked by low net worth, high leverage, weak coverage indicators and low profit margins. The rating is further constrained by the susceptibility of the firm's profit margins to volatility in commodity prices and intense competition prevalent in the agricultural commodities trading business. However, the rating is supported by the firm's experienced management.

BDS, established in 1988, is a proprietorship firm engaged in wholesale trading of various agricultural commodities (including rice, wheat, sugar and oil seeds), which are procured from local farmers and sold to traders, exporters and food distributors. BDS has small-scale operations with revenues of Rs.31.57 crore (provisional) in FY2012-13 (refers to financial year, April 01 to March 31), as compared with revenues of Rs.24.70 crore in FY2011-12. The firm's net worth is low at Rs.1.84 crore (provisional) as on March 31, 2013. BDS's overall leverage (excluding interest-free loans from relatives) is high at 3.02 times (provisional) as on March 31, 2013. Moreover, the firm's interest coverage ratio is weak at 1.10 times (provisional) in FY2012-13. BDS's profit margins are susceptible to volatility in commodity prices. The firm's operating profit margin declined from 1.65 percent in FY2011-12 to 1.19 per cent (provisional) in FY2012-13. BDS's inventory holding period ranges between 25 days to 35 days. The firm's profit margins are thus exposed to the risk of volatility in commodity prices. BDS is susceptible to the intense competition prevalent in the agricultural commodities trading business, which is characterized by the presence of several players in the unorganised sector.

BDS is promoted by Mrs. Meenu Arya. Mr. Subodh Arya (husband of Mrs. Meenu Arya) manages the overall operations of the firm, and has 25 years of experience in the agriculture commodities trading business.

**Outlook: Stable**

SMERA believes the outlook on BDS's rated facilities will remain stable over the medium term on account of the firm's experienced management. The outlook may be revised to 'Positive' in case the firm achieves improvement in its overall leverage, operating scale and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's overall leverage or profit margins owing to increase in debt-funded working capital requirements.

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### About the firm

BDS, established in 1988, is a proprietorship concern promoted by Mrs. Meenu Arya. BDS is engaged in wholesale trading of various agricultural commodities, including rice, wheat, sugar and edible oils. BDS has two warehouses in Hapur, Uttar Pradesh.

For FY2012–13, BDS reported PAT of Rs.0.12 crore (provisional) on revenues of Rs.31.57 crore (provisional), as compared with PAT of Rs.0.11 crore on revenues of Rs.24.70 crore for FY2011–12. The firm's net worth stood at Rs.1.84 crore (provisional) as on March 31, 2013 as compared with Rs.1.06 crore a year earlier.

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