

July 01, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	22.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of **'SMERA B-' (read as SMERA single B minus)** to the Rs.22.00 crore bank facility of Alliance Petroleum Private Limited (APPL). The outlook is **'Stable'**. The rating is constrained by the company's weak financial risk profile and stretched liquidity position. The rating is also constrained by the company's exposure to intense competition in the furnace oil trading business. However, the rating is supported by the company's experienced management.

APPL, incorporated in 2002, is a Delhi-based company engaged in trading of furnace oil. APPL's weak financial risk profile is marked by high leverage (debt-equity ratio) of 5.69 times as on March 31, 2013 and low interest coverage ratio of 1.13 times in FY2012-13 (refers to financial year, April 01 to March 31). APPL's stretched liquidity position is evidenced by high utilisation (93 per cent) of cash credit limit during December 2013 to May 2014. The company faces intense competition from several players engaged in trading of furnace oil.

APPL benefits from its experienced management. Mr. Sameer Anand, director of APPL, has around 12 years of experience in the company's line of business.

Outlook: Stable

SMERA believes APPL will maintain a stable business risk profile in the medium term on the back of its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profitability, financial risk profile and working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the company's liquidity position, or in case of deterioration in the company's capital structure.

About the company

APPL, incorporated in 2002, is a Delhi-based company promoted by Mr. Sameer Anand and Ms. Payal Anand. APPL is engaged in trading of furnace oil.

For FY2012-13, APPL reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.56.97 crore, as compared with PAT of Rs.0.21 crore on operating income of Rs.74.03 crore for FY2011-12. The company's net worth stood at Rs.5.80 crore as on March 31, 2013, as compared with Rs.5.75 crore a year earlier. APPL reported revenues of Rs.63.26 crore (provisional) in FY2013-14.

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