

Press Release

Trident Enterprises

February 08, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 5.16 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 5.16 crore bank facilities of Trident Enterprises (TE). The outlook is revised from '**Negative**' to '**Stable**'.

The revision in outlook is on account of improvement in profitability margins resulting in higher net cash accruals. Further, the firm has order book position of Rs 66.00 crore which provides revenue visibility in the medium term.

TE, established in 1996, is a Kohima (Nagaland) based proprietorship firm promoted by Mr. P. Imty Ao engaged in civil construction work. It undertakes construction of roads, buildings and bridges. TE caters to Nagaland Public Works Department (PWD) and other government bodies.

Analytical Approach

Acuité has considered standalone business and financial risk profiles of TE to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record**

Established in 1996, TE has long track record of over two decades in the civil construction business. The day-to-day business is led by the Proprietor, Mr. P. Imty Ao and an experienced second-line of management.

- **Improvement in profitability**

The operating margin improved to 12.37 per cent in FY2018 from 8.80 per cent in FY2017. The improvement in operating margin is mainly on account of decline in material and administrative cost. The PAT margin also improved in line with the operating margin and stood at 8.72 per cent in FY2018 from 4.56 per cent in FY2017.

- **Above average financial risk profile**

The financial risk profile is marked by modest net worth, comfortable gearing and debt protection metrics. The net worth stood at Rs.21.68 crore as on 31 March, 2018 as against Rs.20.78 crore in the previous year. The gearing stood at 0.12 times as on 31 March, 2018 as against 0.10 times in the previous year. The interest coverage ratio stood at 9.63 times in FY2018 compared to 6.14 times in FY2017. The NCA/TD stood comfortable at 1.20 times in FY2018 compared to 0.93 times in FY2017.

Weaknesses

- **Modest scale of operations**

The revenue stood modest with turnover of Rs.27.12 crore in FY 2018 as compared to Rs.26.08 crore in FY 2017. The modest scales of operations are mainly on execution of projects within Nagaland.

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCA) of 225 days in

FY2018 as against 218 days in FY2017. Such high GCA days are mainly on account of high debtor days of 184 and 181 in FY2018 and FY2017, respectively. This is mainly on account of late realisation of payments from customers (Nagaland State Government and government bodies).

Liquidity Position:

TE has comfortable liquidity profile marked by net cash accruals in the range of Rs.2.00 crore to Rs.3.10 (FY 2016-2018) crore against its nil debt obligations. The entity's operations are highly working capital intensive as marked by gross current asset (GCA) days of 225 in FY 2018. The fund based working capital limit remains utilised at moderate level of 85 percent during the 6 months period ended September 2018.

Outlook: Stable

Acuité believes that TE will maintain 'Stable' outlook over the medium term from experienced management. The outlook may be revised to 'Positive' in case the entity registers sustained growth in revenues while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.12	26.08	23.34
EBITDA	Rs. Cr.	3.36	2.30	2.13
PAT	Rs. Cr.	2.36	1.19	1.21
EBITDA Margin	(%)	12.37	8.80	9.11
PAT Margin	(%)	8.72	4.56	5.18
ROCE	(%)	11.54	6.86	13.75
Total Debt/Tangible Net Worth	Times	0.12	0.10	0.17
PBDIT/Interest	Times	9.63	6.14	5.83
Total Debt/PBDIT	Times	0.75	0.90	1.49
Gross Current Assets (Days)	Days	225	218	237

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Nov-2017	Cash Credit	Long Term	2.00	ACUITE BB+ / Negative (Downgraded from ACUITE BBB-/Stable)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Cash Credit	Long Term	0.16	ACUITE BB+ / Negative (Downgraded from ACUITE BBB-/Stable)
23-Sep-2017	Cash Credit	Long Term	2.00	ACUITE BBB- (Indicative)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Indicative)
	Proposed Cash Credit	Long Term	0.16	ACUITE BBB- (Indicative)
16-May-2016	Cash Credit	Long Term	2.00	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
	Term Loan	Long Term	0.16	ACUITE BB+ / Stable (Withdrawn)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Cash Credit	Long Term	0.16	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
09-Apr-2015	Cash Credit	Long Term	2.00	ACUITE BB+ / Stable (Assigned)
	Term Loan	Long Term	0.16	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ / Stable (Re-affirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Re-affirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.16	ACUITE BB+ / Stable (Re-affirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuite.ratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.