

Press Release

Anandsons Overseas Trading Private Limited

March 16, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.10.30 Cr.
Long Term Rating	ACUITE B+/Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the bank facilities of Anandsons Overseas Trading Private Limited (AOTPL). The outlook is '**Stable**'.

Mumbai-based, AOTPL was incorporated in 1979 by Mr. Sudhir Chandrakant Anandpara, Mr. Rajesh Chandrakant Anandpara, Mrs. Meena Rajesh Anandpara and Mrs. Varsha Sudhir Anandpara. AOTPL is engaged in the trading and exporting of engineering and electrical accessories such as electrical conduit fittings and brass electrical parts. The traded product portfolio has application in PVC insulated cables & flexes, copper rods and strips and brass cable glands among others. The company mainly exports to Middle East, South Asian and African countries.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of AOTPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced promoters**

AOTPL is operating since 1979. The directors Mr. Sudhir Anandpara, Mr. Rajesh Anandpara, Mrs. Meena Rajesh Anandpara and Mrs. Varsha Sudhir Anandpara have more than four decades of experience in Wires & Cables industry. The extensive experience and long-standing presence of the promoter's in the business have helped them to maintain healthy relations with customers and suppliers. AOTPL exports to Golden International Establishment LLC, Sultanate of Oman, Safe Line Electrical & Mechanical LLC, UAE, and Lulu Rayyan Group, Doha among others.

Acuité believes that the company continues to benefit from the promoters' established presence in improving its business risk profile over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate net worth, moderate gearing, and debt protections metrics. The net worth of the company stood at Rs.6.62 crore as on 31 March 2019 against Rs.6.30 crore as on 31 March 2018. Gearing is moderate at 1.05 times as on 31 March 2019 as against 1.11 times as on 31 March 2018. TOL/TNW is also moderate at 1.57 times as on 31 March 2019 as against 1.85 times as on 31 March 2018. Of the total debt of 6.92 crore as on 31 March 2019 consists of short-term debt of Rs.5.00 crore, unsecured loans from promoters stood at Rs.1.03 crore and long-term debt of Rs.0.89 crore. Further, Debt protection metrics are also moderate marked by interest coverage ratio and net cash accruals to total debt stood at 1.76 times and 0.09 times for FY2019, respectively.

Acuité believes that the financial risk profile is expected to be at similar levels over the medium term as the company is not planning any significant debt-funded capital expenditure programme over the medium term.

Weaknesses

- **Working capital intensive operations**

Despite of improvement, AOTPL's operations are working capital intensive as evident from gross current assets (GCA) of 123 days for FY2019 as against 155 days as on 31 March 2018. The GCA days are mainly dominated by high debtor days due to the trading nature of business. The debtor days stood at 74 days for FY2019 as against 104 days for FY2018. AOTPL maintains low inventory of 12 days for FY2019 as against 5 days in FY2018. Further, the company enjoys credit period from suppliers in the range of 33 days to 55 days

for the period FY2017-19. Acuité believes the efficient working capital management will remain the key rating sensitivity.

• Modest scale of operations along with competitive industry

AOTPL has modest scale of operations marked by revenues of Rs.37.16 crore in FY2019 as against Rs.31.31 crore in FY2018 and Rs.40.30 crore in FY2017. Further, AOTPL operates in a highly competitive industry characterised by large number of unorganised players mainly on account of low entry barriers. This can have an impact on the profitability margins of the company.

Rating Sensitivities

- Substantial improvement in scale of operation while maintaining profitability margins over the medium term.
- Elongation in working capital cycle leading to deterioration in debt protection indicators.

Material Covenants

None

Liquidity: Stretched

The liquidity of AOTPL is stretched marked by GCA days of 123 for FY2019 as against 155 days for FY2018. This is on the account of high receivable days, as the company operates in highly competitive market. The company generated cash accruals in the range of Rs.0.65-0.66 crore for the period FY2017-19, while the debt repayment obligations stood around Rs.0.17 crore over the same period. The cash accruals are estimated to remain around Rs.0.59-0.72 crore during 2020-22 against debt obligations of around Rs.0.17 crore over the same period. AOTPL has unencumbered cash and bank balances of Rs.0.04 crore as on 31 March, 2019. The current ratio of the company stood at 1.82 times as on 31 March, 2019. Acuité believes that the liquidity of AOTPL is likely to remain stretched over the medium term.

Outlook: Stable

Acuité believes that AOTPL will maintain 'Stable' outlook in the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	37.16	31.31
PAT	Rs. Cr.	0.47	0.51
PAT Margin	(%)	1.28	1.63
Total Debt/Tangible Net Worth	Times	1.57	1.85
PBDIT/Interest	Times	1.76	1.98

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto three years)

Date	Name of Instrument/ Facility	Term	Amount (Rs. Cr)	Ratings/Outlook
07-Jan-2019	Packing Credit*	Long Term	5.00	ACUITE B+/ Stable (Reaffirmed)
	Post Shipment Credit^	Long Term	4.80	ACUITE B+/ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	0.10	ACUITE B+/ Stable (Reaffirmed)
	Letter of Credit	Long Term	0.40	ACUITE B+/ Stable (Reaffirmed)
05-Sep-2018	Packing Credit*	Long Term	5.00	ACUITE B+ (Indicative)
	Post Shipment Credit^	Long Term	4.80	ACUITE B+ (Indicative)
	Post Shipment Credit	Long Term	0.10	ACUITE B+ (Indicative)
	Letter of Credit	Long Term	0.40	ACUITE B+ (Indicative)
08-Jul-2017	Packing Credit*	Long Term	5.00	ACUITE B+/ Stable (Reaffirmed)
	Post Shipment Credit^	Long Term	4.80	ACUITE B+/ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	0.10	ACUITE B+/ Stable (Reaffirmed)
	Letter of Credit	Long Term	0.40	ACUITE B+/ Stable (Reaffirmed)

*Includes sublimit of CPC to the extent of Rs. 2.00 Crore and PCFC/BRD to the extent of Rs. 3.00 Crore.

^Includes sublimit of Duty Draw Back to the extent of Rs. 0.60 Crore

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit#	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+ /Stable (Reaffirmed)
Post Shipment Credit^	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE B+ /Stable (Reaffirmed)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B+ /Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B+ /Stable (Reaffirmed)

#Includes sublimit of CPC to the extent of Rs.2.00 Crore

^Includes sublimit of Duty Draw Back (DDB) to the extent of Rs.0.60 Crore

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About Acuité Ratings & Research:

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