

## Press Release

### Asiatic Traders

May 13, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 13.75 Cr.
<b>Long Term Rating</b>	SMERA BBB- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A3

*\* Refer Annexure for details*

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-** (read as **SMERA BBB minus**)' and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 13.75 crore bank facilities of Asiatic Traders. The outlook is '**Stable**'.

Asiatic Traders (AT) is an Indore-based partnership firm. The firm is engaged in the assembling and installation of water treatment plants and undertakes turnkey projects related to construction of water supply transmission lines. AT is also engaged in the trading of pumps, motors and gear boxes. The firm generates around 10 percent revenue from trading activity.

### Key Rating Drivers

#### Strengths

- **Established track record of operations and experienced management**

AT was established in 1974 by Mr. Narendra Doshi and Mr. Ketan Doshi (partners). The partners have more than four decades of experience in the aforementioned line of business. Over the years, the partners have developed healthy relations with customers and suppliers which helps get repeat orders and favourable credit terms.

- **Stable profit margins**

AT's profit margins have remained stable during the period under study. The EBITDA margin stood at 7.22 percent and PAT (Profit After Tax) margins at 4.43 percent in FY2015-16 as against 7.24 percent and 4.14 percent respectively in FY2014-15.

- **Healthy financial risk profile**

AT has healthy financial risk profile evident from its low gearing of 0.23 times as on 31 March, 2016 and 0.21 times as on 31 March, 2015. The total debt of Rs.3.51 cr mainly comprises unsecured loan from promoters to the tune of Rs.2.18 cr. The ICR (interest coverage ratio) stood at 7.45 times in FY2015-16 as against 5.82 times in the previous year. The net worth base has been comfortable at Rs.15.06 cr as on 31 March, 2016.

- **Efficient working capital management and comfortable liquidity**

The efficient working capital management is marked by GCA (gross current assets) days of 68 and 83 in FY2015-16 and FY2014-15 respectively. The inventory days stood at 18 and debtor days at 50 in FY2015-16. AT has also maintained comfortable liquidity as reflected in the unencumbered cash and bank balance of Rs.2.88 cr. Further, utilisation of working capital limits stood at ~60.00 percent for six months ended January 2017.

#### Weaknesses

### • **Tender based operations**

Around 60 percent revenue is through tenders based projects from the governments of Madhya Pradesh, Gujarat and Rajasthan. Moreover, any delay in project execution along with delayed receipts from the government and site related issues are likely to result in higher working capital requirements. However, this risk is mitigated to a certain extent as AT has long term relations with state government organisations.

### • **Highly competitive and fragmented industry**

AT is exposed to intense competition in the industry from several mid to large sized players. However, the risk is mitigated to an extent as the management has been operating for more than four decades. AT has been able to maintain its top line and win tenders with an average success ratio of ~65 per cent.

### • **Partnership constitution**

The partnership constitution of the firm exposes it to risk of capital withdrawal. However, the firm has not only retained profits but also infused capital every year. Further, AST has furnished an undertaking of minimum capital which will remain in the business and hence the risk of capital withdrawal is mitigated to an extent.

### **Analytical Approach**

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

### **Outlook: Stable**

SMERA believes that AT will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenue and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile and liquidity position.

### **About the Rated Entity - Key Financials**

For FY2015-16, the firm reported net profit of Rs.2.20 cr on operating income of Rs.49.66 cr, as compared with net profit of Rs.1.71 cr on operating income of Rs.41.40 cr in FY2014-15. The net worth stood at Rs.15.06 cr as on March 31, 2016 as against Rs.12.23 cr a year earlier.

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

None

### **Any other information**

None

### **Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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)**

Not Applicable

### **\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.50	SMERA A3

## Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Pranali Salgaonkar Analyst - Rating Operations Tel: 022-67141127 <a href="mailto:pranali.salgaonkar@smera.in">pranali.salgaonkar@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

## ABOUT SMERA

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