

Press Release

ASIATIC TRADERS

June 01, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 13.75 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Upgraded)
Short Term Rating	ACUITE A3+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BBB**' (**read as ACUITE BBB**) from and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs. 13.75 crore bank facilities of ASIATIC TRADERS. The outlook is '**Stable**'.

The upgrade is driven by steady growth in profitability, net cash accruals and revenue. The operating margin has improved to 8.38 percent for FY2017 as compared to 7.22 percent in FY2016. The profit after tax (PAT) margin improved to 4.81 percent for FY2017 as against 4.43 percent in FY2016. The net cash accruals of the firm have grown to Rs. 2.74 crore in FY2017 from Rs.2.36 crore. This has resulted in improvement in the firm's financial risk and while maintaining its liquidity profile. Acuité believes that Asiatic Traders will be able to sustain its current revenue growth and profitability margins over the near to medium term on account of its established track record of execution and healthy order book position. The ratings continue to derive support from the firm's established track record of partners, long standing relations with leading players and above average financial risk profile.

Asiatic Trader (AT) established in the year 1974, is Indore based partnership firm which is promoted by Mr. Narendra Doshi and Mr. Ketan Doshi. The firm is engaged in assembling and installation of water supply system, operation and maintenance of pumping station. Further, the firm undertakes turnkey projects for water solutions and industrial water supply transmission line.

Key Rating Drivers

Strengths

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

The partners of the firm, Mr. Narendra Doshi and Mr. Ketan Doshi has been engaged into providing solutions for water specialty products like pumps and its related products since last four decades by which partners have developed healthy relations with customers and suppliers. The firm has dealership of reputed clients like Crompton Greaves, Johnson Pumps, KSB Pumps, Wilo SE among others.

- **Improvement in profitability margins and order book position**

The firm's operating margins have improved to 8.38 percent in FY 2017 from 7.22 percent in FY18. Further PAT (Profit after Tax) margins improved to 4.81 percent in FY2017 from 4.43 percent in FY2016. The firm has orders of Rs. 72.14 crore which includes both operation and management contracts and installment and sales contract which is expected to be executed by FY2019.

- **Efficient working capital cycle**

The working capital cycle of AT is efficient which is evident from 6 days of cycle in FY2017 as against (-) 7 days in FY2016. Further, the GCA (gross current assets) stands moderate at 184 days for FY16-17 as against 167 days in FY15-16. This is on account of inventory days of 14 and debtor days of 51 for FY2017. Further, bank limit utilization of working capital limits stood at ~90 percent for last six month ending on April 2018.

- **Healthy financial risk profile**

The firm has healthy financial risk profile marked by net worth of Rs. 17.98 crore as on March 31, 2017 as compared to Rs. 15.06 crore as on March 31, 2016. Gearing (debt-equity) stood comfortable at 0.28 times as on 31 March, 2017 as compared to 0.23 times as on 31 March, 2016. The total debt of Rs. 5.07 crore as on March 31, 2017 consist of long term loan from bank of Rs.0.22 crore, unsecured loans of Rs. 2.31 crore and working capital facility of Rs. 2.54 crore. The debt protection metrics are also healthy with ICR (Interest Coverage) of 5.38 times as on March 31, 2017 as against 7.45 times as on March 31, 2016 and NCA/TD of 0.54 times as on march 31, 2017 as against and 0.73 times as on March 31, 2016.

Acuité believes the financial risk profile of AT will remain healthy marked by moderate net cash accruals and in absence of any major debt funded capex.

Weaknesses

- **Tender based operations**

The firm caters to both government and private entities. Around 70 percent of the total revenue is from O&M and water supply system contracts and 30 percent from trading business. The major portion of the revenue is tender based projects received from State Government of Madhya Pradesh, Gujarat and Rajasthan. The firm's revenues are highly dependent on number and value of tenders floated by State Government and success rate of the firm.

- **Competitive and fragmented industry**

The firm operates in a sector marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent as management operating in this environment for more than four decade. Thus based on established relations with these customers, AT is able to maintain its top line and win tenders with average success ratio of ~60-65 percent in the past.

- **Inherent Risk of capital withdrawal in partnership firm**

The partnership constitution of the firm exposes it to the risk of capital withdrawal, however firm has not withdrawn its capital in the last 4 years. Further, firm has given undertaking of minimum capital which will remain in the business, due to which the risk of capital withdrawal is mitigated to an extent.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the firm

Outlook: Stable

Acuité believes AT will maintain a stable business risk profile 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 revenues 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.61	49.66	41.40
EBITDA	Rs. Cr.	4.49	3.59	3.00
PAT	Rs. Cr.	2.58	2.20	1.71
EBITDA Margin	(%)	8.38	7.22	7.24
PAT Margin	(%)	4.81	4.43	4.14
ROCE	(%)	23.72	23.59	42.88
Total Debt/Tangible Net Worth	Times	0.28	0.23	0.21
PBDIT/Interest	Times	5.38	7.45	5.82
Total Debt/PBDIT	Times	0.99	0.86	0.79
Gross Current Assets (Days)	Days	184	167	185

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
13-May-2017	Cash Credit	Long Term	INR 3.25	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	INR 10.5	ACUITE A3 (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	3.25	ACUITE BBB / Stable (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A3+ (Upgraded)

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About Acuité Ratings & Research:

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