

## Press Release

### Asiatic Traders

August 07, 2019

### Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) 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 rating continues to reflect healthy revenue growth while maintaining healthy financial risk profile and efficient working capital management. However, the strength is partially off-set from subdued order book growth leading to moderate revenue growth for FY2020.

Indore based, Asiatic Trader (AT), established in the year 1974, is a partnership firm 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, laying of transmission lines and trading of related assemblies. The firm is Class A contractor and undertakes contract on behalf of Madhya Pradesh, Rajasthan and Gujarat government.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of AT to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### • Established track record of operations and experienced management

AT has been in operations in the engineering industry since 1974. Mr. Narendra Doshi and Mr. Ketan Doshi are the partners managing the operations having more than four decades of experience in this industry. The long standing presence of the partners has resulted in establishing healthy relationship with customers and suppliers. Acuite expects the firm to benefit from partners' experience and healthy relations with the customers and suppliers to support its business risk profile over the medium term.

#### • Healthy financial risk profile

AT has healthy financial risk profile marked by healthy net worth and gearing and debt protection metrics. The net worth stood moderate at Rs.24.54 crore as on 31 March, 2019 (Provisional) as against Rs. 21.81 crore as on 31 March, 2018. The gearing stood moderate at 0.49 times as on 31 March, 2019 (Provisional) as compared to 0.34 times as on 31 March, 2018. The gearing increased on account of additional funds infused by promoters in the company during FY19. The total debt of Rs.12.14 crore as on 31 March, 2019 (Provisional) consists of term loan of Rs.0.26 crore, unsecured loans of Rs.8.46 crore and working capital borrowings of Rs.3.42 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood healthy at 1.02 times as on 31 March, 2019 (Provisional) as against 0.98 times as on 31 March, 2018 mainly on account of rise in unsecured loans. Interest Coverage Ratio (ICR) stood healthy at 5.52 times in FY2019 (Provisional). The ICR improved in FY19 on account of decline in interest cost during FY19.

#### • Efficient working capital management

The working capital management has improved in FY2019 (Provisional) as compared to FY2018 as reflected from decline in GCA days to 146 in FY2019 (provisional) from 211 days in FY2018. This is mainly on account of quick realisation from clients. The debtor days reduced to 37 during FY2019 (Provisional) from 64 days during FY2018. Further, the inventory days also reduced to 26 during FY2019 (Provisional) from 33 days during FY2018.

#### Weaknesses

#### • Competitive and fragmented industry

The firm operates in the EPC industry which is highly fragmented and competitive and has several large and small players executing the projects. AT caters to both government and private parties with major portion of the revenue derived from the tender based projects received from Madhya Pradesh, Gujarat and Rajasthan state government. The tender-based nature of the industry intensifies competition, which restricts any significant increase in AT's profit margins.

#### Liquidity position:

AT has healthy liquidity position as reflected in NCA/TD of 0.41 times during FY2019 (Provisional) as compared to 0.44 times during FY2018. Bank limit utilisation was almost fully utilised for the six months ended June 2019. Current ratio was healthy at 2.98 times as on March 31, 2019 (Provisional). Further, the promoters have proven track record of fund infusion on need basis.

#### Outlook: Stable

Acuite believes that 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 or liquidity position.

#### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	80.65	56.13	53.61
EBITDA	Rs. Cr.	7.59	5.58	4.49
PAT	Rs. Cr.	4.72	3.01	2.58
EBITDA Margin	(%)	9.41	9.95	8.38
PAT Margin	(%)	5.86	5.36	4.81
ROCE	(%)	23.82	22.66	23.72
Total Debt/Tangible Net Worth	Times	0.49	0.34	0.28
PBDIT/Interest	Times	5.52	4.67	5.38
Total Debt/PBDIT	Times	1.51	1.20	0.99
Gross Current Assets (Days)	Days	146	211	184

#### 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-17.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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
01-Jun-2018	Cash Credit	Long Term	3.25	ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable)
	Bank Guarantee	Short Term	10.5	ACUITE A3+ (Upgraded from ACUITE A3)
13-May-2017	Cash Credit	Long Term	3.25	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	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 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A3+ (Reaffirmed)

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### About Acuité Ratings & Research:

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