

Press Release

Central India Associates

August 03, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 6.38 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) on the Rs. 6.38 crore bank facilities of CENTRAL INDIA ASSOCIATES from '**ACUITE BB minus**' (**read as ACUITE BB-**). The outlook is '**Stable**'.

Central India Associates (CIA) was established in 1985, as a partnership firm engaged in the collection, crushing, cutting, screening, disposal, loading and transportation of L. D slag inside steel plant under Steel Authority of India Ltd (SAIL). It is rendering services under Ferro Scrap Nigam Limited (FSNL).

The rating upgrade is driven by improvement in profitability along with improvement in their financial risk profile. The operating profitability has improved from Rs. 8.41 crs in FY2017 to around Rs. 13.29 crs in FY2018 (provisional). The net profitability has improved from Rs. 3.55 crs in FY2017 to around Rs. 6.16 crs in FY2018 (provisional). Improvement in profitability has resulted in substantial increase in net cash accruals. The financial risk profile has also witnessed substantial improvement in FY2018 (provisional) as compared to the preceding year.

Key Rating Drivers

Strengths

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

CIA was established in 1985 as a partnership firm by Mr. Lalsan Mr. Harish Mr. Tushar and Mrs. Ratnavally who possess experience of more than three decades in this industry.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by gearing (Debt/equity) of 1.50 times as on March 31 2018 (Provisional) as compared to 2.59 times as on March 31 2017. The interest coverage stood high at 7.21 times for FY 2018 (Provisional) as compared to 5.23 times for FY 2017. DSCR stood at 5.44 times for FY 2018 (Provisional) as compared to 4.05 times for FY 2017. Unsecured loans worth Rs. 7.48 crore as on March 31 2018 (Provisional) are included in Long Term loan. We should start financial risk profile with networth

Weaknesses

- **Tender based business**

The revenue of CIA depends on the number of successful bids and the tenders being released in the financial year. The operations of the CIA are considered to be at moderate level despite the firm being in the business from last three decades. The company has achieved operating income of Rs. 45.00 crore in FY 2017-18 (provisional) as compared to Rs. 37.46 crore in FY 2016-17.

- **Capital Withdrawal risk**

Being partnership nature of business there is an inherent risk of capital withdrawal.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of CIA to arrive at the rating.

Outlook: Stable

Acuité believes CIA will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.00	37.46	37.25
EBITDA	Rs. Cr.	13.29	8.41	7.58
PAT	Rs. Cr.	6.16	3.55	3.07
EBITDA Margin	(%)	29.55	22.45	20.36
PAT Margin	(%)	13.69	9.48	8.26
ROCE	(%)	51.39	36.61	32.74
Total Debt/Tangible NetWorth	Times	1.50	2.59	3.19
PBDIT/Interest	Times	7.21	5.23	4.72
Total Debt/PBDIT	Times	1.20	1.48	2.14
Gross Current Assets (Days)	Days	106	60	148

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Jul-2017	Cash Credit	Long Term	INR 4.88	ACUITE BB- / Stable
	Proposed Term Loan	Long Term	INR 1.5	ACUITE BB- / Stable

*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	4.88	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.79	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.71	ACUITE BB / Stable

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About Acuité Ratings & Research:

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