

Press Release

INDIRA FILLING STATION

December 24, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating of '**ACUITE B**' (**read as ACUITE B**) to '**ACUITE BB-**' (**read as ACUITE double B minus**) the Rs.6.50 crore bank facilities of INDIRA FILLING STATION (IFS). The outlook is '**Stable**'.

The rating upgrade reflects consistent improvement in scale of operations and new contract received during December, 2019 from Adani through IOCL to supply 31000 litres of diesel, daily. The operating revenues have increased to Rs.117.89 crore in FY2019 from Rs.98.10 crore in FY2018 and Rs.82.30 crore in FY2017. Further, the new contract with Adani will boost the turnover by around Rs.55.00 to 60.00 crore. Further, the rating is supported by experienced management and comfortable working capital operations.

Established in 2007, Indira Filling Station (IFS) is a proprietorship firm who is a retailer of Indian Oil Corporation for Petrol, Diesel and Servo Lubricants. The day to day operations are managed by its proprietor, Mrs. Indira Senapati along with her husband, Mr. Hemanta Senapati who acts as a key managerial personnel. Firm has its petrol pump at NH-5, Simulia, Balasore, Odisha. IOCL has allotted 800 vehicles to IFS's petrol pump. Firm has received order from Adani through IOCL for daily supply of 31000 litres of diesel.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

IFS was incorporated in 2007 by Mrs. Indira Senapati along with her husband, Mr. Hemanta Senapati who has experience of over a decade in the retail trading industry. The extensive experience has enabled the firm to forge healthy relationships with IOCL and its customers.

Acuité believes that IFS will continue to benefit from its experienced management and established relationships with customers and suppliers.

• Improvement in revenues

The firm has reported healthy revenue growth with compounded annual growth rate (CAGR) of around ~19.68 percent through the last three years ended 31 March, 2019. The firm reported revenue growth of ~20.18 percent with operating income of Rs.117.89 crore in FY2019 as against operating income of Rs.98.10 crore in FY2018.

Acuité believes the scale of operations will improve further in near to medium term at the back of new order received from Adani through IOCL to supply 31000 litres of diesel daily for dharma port construction.

• Efficient working capital management:

The working capital of IFS is efficient in nature marked by low Gross Current Asset (GCA) days of 30 for FY2019 as against 35 in the previous year. This is on account of low inventory days which stood at 4 for FY2019 as against 10 for FY2018, further debtor days stood at 22 in FY2019 as against 21. However, the reliance on working capital facility is high, its utilization is around ~90 percent on an average for last 6 months ending November, 2019. Going ahead, the ability of the firm to efficiently manage its working capital requirements will remain the key rating sensitivity.

Weaknesses

- **Low profitability**

The operating margins of the firm stood low at 1.37 percent in FY2019 as against 1.38 percent in FY2018. Further, Profit after Tax (PAT) margin stood at 0.45 in FY2019 as against 0.51 per cent in FY2018.

Acuité believes that the profitability will remain at lower level considering the nature of the business.

- **Average financial risk profile**

The financial risk profile is average marked by modest net worth and moderate debt protection measures and high gearing. The net worth of the firm is modest at Rs.3.32 crore as on 31 March 2019 as against Rs.2.79 crore as on 31 March 2018. The gearing (debt to equity) of the firm stood at 2.14 times as on March 31 2019 as against 2.67 times as on March 31 2018. Total debt of Rs.7.11 crore consists of term loan of Rs.0.51 crore and working capital facility of Rs.6.61 crore as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 2.15 times as on 31 March 2019 as against 2.68 times as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 1.66 times in FY2019 as against 1.84 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March 2019 as against 0.08 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 1.66 times in FY2019 as against 1.84 times in FY2018.

Rating Sensitivity

- Deterioration in financial risk profile of the firm.
- Deterioration in profitability margins.

Material Covenants

None.

Liquidity Position: Adequate

IFS has adequate liquidity marked by net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.64 crore in FY2019 as against Rs.0.62 crore in FY2018 and Rs.0.48 crore in FY2017, while its maturing debt obligation was around Rs.0.12 crore for FY2019, FY2018 and FY2017. The firm's working capital operations are efficient as marked by low gross current asset (GCA) days of 30 in FY2019. Further, the reliance on working capital borrowings is high, the cash credit limit in the firm remains utilized at ~90 percent during the last 6 months' period ended November, 2019. The firm maintains unencumbered cash and bank balances of Rs.0.09 crore as on March 31, 2019. The current ratio of the firm stands at 1.45 times as on March 31, 2019.

Outlook: Stable

Acuité believes that IFS will maintain a 'Stable' outlook over the medium term backed by the experience of its promoters in the aforementioned industry. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in IFS's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	117.89	98.10
PAT	Rs. Cr.	0.53	0.50
PAT Margin	(%)	0.45	0.51
Total Debt/Tangible Net Worth	Times	2.14	2.67
PBDIT/Interest	Times	1.66	1.84

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-April-2019	Cash Credit	Long Term	6.50	ACUITE B (Indicative) (Downgraded from ACUITE BB/Stable)
16-Feb-2018	Cash Credit	Long Term	6.50	ACUITE BB/Stable (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	6.50	ACUITE BB-/Stable (Upgraded from ACUITE B)

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About Acuité Ratings & Research:

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