

Press Release

Prashant Trading Co

June 01, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.6.00 crore bank facilities of PRASHANT TRADING CO. The outlook is '**Stable**'.

Prashant Trading Company based out of Mumbai was established in 1974 by Mr. Dalichand Sanghvi and Mr. Vrajlal Sheth as a partnership firm. Since 1980, the firm is managed and controlled by Mr. Kirit Dalichand Sanghvi and Mr. Kamlesh Vrajlal Sheth. The firm is trader of float glass and industrial chemicals which it imports from Iran, China, Malaysia and sells in domestic market. It also trades in coco butter which it procures from Malaysia and sells in European countries.

Key Rating Drivers

Strengths

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

PTC was incorporated in 1974. The Partners, Mr. Dalichand Sanghvi and Mr. Vrajlal Sheth, have more than four decades of experience in the aforementioned business. This has helped in building healthy relationships with customers and suppliers.

- **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by net worth of Rs.3.32 crore as on 31 March, 2018 (provisional) as against Rs.1.55 crore as on 31 March, 2017. The gearing ratio stood at 2.14 times (adjusted gearing ratio at 0.91 times) as on 31 March, 2018 (Provisional) as against 2.10 times (adjusted gearing ratio at 0.06 times) as on 31 March, 2017. The Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 4.84 times for FY2018 (Provisional) as against 2.58 times for FY2017. The adjusted total outside liabilities to tangible net worth (TOL/TNW) stood at 2.65 times as on 31 March, 2018 (Provisional) as against 3.88 times as on 31 March, 2017. The net cash accruals to total debt (NCA/TD) stood at 0.34 times in FY2018 (Provisional) as against 0.28 times in FY2017. The return on capital employed (ROCE) stood at 39.76 percent in FY2018 (Provisional) as against 35.44 percent in FY2017.

- **Efficient Working capital operations**

PTC has comfortable Gross Current Assets (GCA) days of 99 in FY2018 and 48 in FY2017. This is mainly on account of debtor days of 69 and inventory days of 18 in FY2018 (Provisional) as compared to 26 days and 14 days in FY2017, respectively. Further, the firm has not utilised the cash credit limits for the last six months ended April, 2018.

Weaknesses

• Foreign exchange fluctuation risk

The firm is engaged in import of Float Glass from countries like Iran, China and Malaysia. The firm also imports industrial chemicals and also trades of Cocoa Butter in international markets. The prices of these raw materials are highly volatile in nature. The firm's margins are thus susceptible to movement in raw material price and forex rates.

• Partnership constitution of the firm

Since PTC is a partnership firm, it is susceptible to risk of capital withdrawal.

Analytical Approach

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

Outlook: Stable

Acuite believes that the outlook on PTC will remain 'Stable' owing to the experience of its partners. The outlook may be revised to 'Positive' if the firm stabilises operations, leading to increased revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues, net cash accruals leading to deterioration in the financial risk profile, particularly liquidity and capital withdrawal.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.28	41.03	23.29
EBITDA	Rs. Cr.	2.56	2.01	2.01
PAT	Rs. Cr.	1.68	0.88	0.88
EBITDA Margin	(%)	7.48	4.90	8.62
PAT Margin	(%)	4.92	2.15	3.79
ROCE	(%)	39.76	35.44	28.88
Total Debt/Tangible Net Worth	Times	2.14	2.10	2.87
PBDIT/Interest	Times	4.84	2.58	2.65
Total Debt/PBDIT	Times	2.32	1.48	2.51
Gross Current Assets (Days)	Days	99	48	132

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>
- 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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE A4+

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About Acuité Ratings & Research:

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