

## Press Release

Aggarwal Sales Corp

October 08, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 15.50 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs. 15.50 crore bank facilities of Aggarwal Sales Corp. The outlook is '**Stable**'.

AGGARWAL SALES CORPORATION (ASC) was established in 2007 as a proprietorship firm by Mr. Pawan Kumar. ASC is into trading of construction material i.e. tiles, cement and sanitary wear. Firm is authorized dealer of HR Johnson; Kajaria Ceramics; Delta Faucet Company India Private Limited; J K Mahalakshmi; Ultratech; Cera. The firm has one showroom and three administrative office located in Faridabad, Haryana.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The firm is promoted by Mr. Pawan Kumar possesses experience of over a decade in trading business. Acuité believes that ASC will continue to benefit from its experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

- **Healthy growth in revenue and efficient working capital management**

ASC has reported healthy growth in revenues year-on-year. It has registered CAGR of ~77 percent for the period FY2016-FY2018 with operating income of Rs.88.43 crore in FY2018 as against Rs.32.79 crore in FY2017 and Rs.28.11 crore in FY2016. The growth was on account of increase in sales to the existing customers, acquiring new retail customers and high market demand. Also, working capital cycle of the firm is efficiently managed marked by gross current assets of 83 days in FY2018 against 129 days in FY2017. ASC offers credit period of about 45 days with receivable days of about 28 days in FY2018 as against 34 days in FY2017. The firm maintains an inventory of around two month which is reflected in the financials at 55 days through FY2018. Being trading nature of operations, the working capital operations continues to be efficient at these levels. Though working capital requirements are expected to increase with the increasing scale of operations but Acuité believes that operations continue to be on moderate levels.

#### Weaknesses

- **Average financial risk profile**

The financial risk profile of ASC remained average marked by net worth of Rs.6.86 crore as on 31 March 2018 as against Rs.4.53 crore as on 31 March 2017. The gearing stood at 1.88 times as on 31 March 2018 as against 1.58 times as on 31 March 2017. The total debt of Rs.12.89 crore as on 31 March 2018 mainly comprises working capital borrowings of Rs.12.62 crore and vehicle loans of Rs.0.27 crore. Interest Coverage Ratio (ICR) stood at 1.66 times for FY2018 as against 1.48 times for FY2017. Total outside liabilities to total net worth and Net cash accruals to total debt ratio remained at 2.04 times and 0.08 times in FY2018 respectively. Further Debt to EBITDA stood at 4.92 times in FY2018 as against 5.43 times in FY2017.

- **Competitive and fragmented industry**

The firm operates in a highly competitive and fragmented industry and faces tough competition from various unorganised players which can have an impact on the bargaining powers with the customers and hence the margins.

### Analytical Approach

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

### Outlook: Stable

Acuité believes that the outlook on ASC will remain 'Stable' over the medium term on account of its experienced management and efficient management of working capital operations. The outlook may be revised to 'Positive' in case the firm's financial risk profile improves while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial due to higher than envisaged working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	88.43	32.79	28.11
EBITDA	Rs. Cr.	2.61	1.31	0.95
PAT	Rs. Cr.	0.92	0.33	0.30
EBITDA Margin	(%)	2.95	3.98	3.39
PAT Margin	(%)	1.04	1.02	1.06
ROCE	(%)	15.86	13.29	26.16
Total Debt/Tangible Net Worth	Times	1.88	1.58	5.02
PBDIT/Interest	Times	1.66	1.48	1.64
Total Debt/PBDIT	Times	4.92	5.43	5.85
Gross Current Assets (Days)	Days	83	129	93

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Not Applicable

### \*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	12.50	ACUITE BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- / Stable

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### About Acuité Ratings & Research:

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