

## Press Release

Truevalue Engineering Private Limited

January 16, 2019



**Rating Assigned**

<b>Total Bank Facilities Rated*</b>	Rs. 34.05 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 34.05 crore bank facilities of Truevalue Engineering Private Limited (TEPL). The outlook is '**Stable**'.

Incorporated in 1995, Truevalue Engineering Private Limited (TEPL) is engaged in trading of flat steel products such as cold rolled coils, galvanised sheet and hot rolled coils. Also it has started trading of petroleum products such as bitumen and furnace oil. The day to day operations are managed by its Managing Director, Mr. Rajendra Kumar Choudhary.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### • Experienced management

The day to day operations are managed by its Managing Director, Mr. Rajendrakumar Choudhary along with Director, Mr. Ankit Choudhary. They possess experience of over two decades in trading industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. Acuité believes that TEPL will continue to benefit from its experienced management and established relationships with customers.

##### • Moderate working capital operations

TEPL has moderate working capital operations marked by Gross Current Assets (GCA) of 96 days in FY2018 as against 105 days in FY2017. The company maintains inventory of around 60 days on an average for steel products and 15 to 20 days of bitumen and extends clean credit of around 30 to 60 days to its steel products' customers, resulting in moderate GCA days. The inventory and debtors levels stood at 55 days and 31 days in FY2018 as against 52 days and 49 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~95 percent in the last six months. Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of the trading nature of the business.

##### • Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and gearing and debt protection measures. The net worth of the company is moderate at Rs.17.82 crore as on 31 March, 2018 as against Rs.17.60 crore as on 31 March, 2017. It consists of quasi equity of Rs.2.95 crore. The gearing of the company stood moderate at 0.80 times as on March 31, 2018 as against 0.83 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.93 times as on 31 March, 2018 as against 2.50 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.19 times in both FY2018 as well as FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.03 times as on 31 March, 2018 and as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.15 times for FY2018 as against 1.14 times in FY2017. Acuité believes that the financial risk profile of TEPL will improve in the medium term since there is no major debt funded capital expansion plans.

## Weaknesses

- **Declining scale of operations**

The scale of operations is on a declining trend marked by revenues of Rs.201.33 crore in FY2016, Rs.174.63 crore in FY2017 and Rs.169.92 crore in FY2018. The company has reported negative revenue with negative compounded annual growth rate (CAGR) of around ~8.00 percent through the last three years ended 31 March, 2018. The operating margins of the company increased marginally to 1.67 percent in FY2018 from 1.57 percent in FY2017.

- **Profitability susceptible to fluctuation in price of traded goods**

The company is engaged in trading of iron and steel and petroleum products. The prices of these global commodities are volatile and are largely driven by the demand and supply of the global as well as domestic markets. Further, the company has to maintain adequate inventory in order to supply to immediate demands from its customers. Hence, any adverse effect on the prices of raw materials will directly affect the revenue booking of the company.

## Outlook: Stable

Acuité believes that TEPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and expected increase in scale of operations. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements and increasing pressure on margins.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	169.92	174.63	201.33
EBITDA	Rs. Cr.	2.85	2.74	3.51
PAT	Rs. Cr.	0.23	0.28	0.29
EBITDA Margin	(%)	1.67	1.57	1.74
PAT Margin	(%)	0.13	0.16	0.15
ROCE	(%)	9.64	11.96	15.17
Total Debt/Tangible Net Worth	Times	0.80	0.83	0.63
PBDIT/Interest	Times	1.19	1.19	1.19
Total Debt/PBDIT	Times	4.35	3.83	2.60
Gross Current Assets (Days)	Days	96	105	85

## 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>
- 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
Letter of credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE BB- / Stable

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