

Press Release

Tushar Traders

January 18, 2019



Rating Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 6.00 crore bank facilities of Tushar Traders (Tushar). The outlook is '**Stable**'.

The firm, established in 2008, is promoted by Mr. Tushar Patel. It is into trading and processing of Cashew Kernels, Walnuts Kernels, Dry Figs, Raisins and Dry Fruits, among others. It imports cashews from United States, Australia, Afghanistan, and other African Countries and sells the processed product domestically in Maharashtra, Gujarat, to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

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

Tushar is promoted by Mr. Tushar Patel who also manages the day to day operations of the company. He has an experience of more than 15 years in the same line of business. The promoter's extensive experience is also reflected through the moderate revenue growth over the last 3 years through 2017-18. The company's revenue grew at a CAGR of 6.00 percent to Rs.26.63 crore over the aforementioned period. Over the years, the firm has been able to establish comfortable relationships with their key suppliers and customers. Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

- **Diversified geographical presence**

The firm has a diversified presence across geographies. Tushar's sales in the domestic market accounted for around 90 percent of the total revenue while the balance is from exports in the year ended FY2018. In the domestic market, the firm has a significant presence in western India with presence in states such as Maharashtra and Gujarat, among others and exports mainly to European countries. Tushar's import constitutes ~90 percent from different places in United States, Australia, Afghanistan, and other African Countries and remaining 10 percent of total raw material is procured from local markets of Gujarat.

- **Moderate working capital nature of operations**

The working capital management is marked by Gross Current Assets (GCA) of 85 days in FY2018 as against 67 days in FY2017. The company maintains inventory of around 30 days on an average and extends clean credit of around 30 days to its customers, resulting in moderate GCA days. The inventory and debtor levels stood at 45 days and 29 days in FY2018 as against 20 days and 33 days in FY2017, respectively. Acuité believes that the working capital requirement will continue to remain moderate over the medium term.

Weaknesses

- **Below average financial risk profile**

The financial risk profile is moderate marked by low net worth and low gearing. The net worth of the company is moderate at around Rs.2.14 crore as on 31 March, 2018 as against Rs.1.90 crore as on 31 March, 2017. The improvement in net worth is on account of increasing revenues leading to higher accretion to reserve. The company has followed a moderately aggressive financial policy as reflected by peak gearing of 3.15 times over the last three years through 2017-18. The gearing of the company has stood at 2.10 times as on March 31, 2018.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.44 times as on 31 March, 2018 as against 2.24 times as on 31 March, 2017. The moderate revenue levels coupled with low operating margins have resulted in average debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 1.96 times in FY2018 and 1.88 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on 31 March, 2018 as against 0.09 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.43 times in FY2018 as against 1.75 times in FY2017. Acuité believes that the financial risk profile of Tushar will improve over the medium term on account of its improving scale of operations.

- **Low profitability margins**

The profitability of the firm is low primarily due to trading nature of operations. The operating margins marginally declined to 2.03 percent in FY2018 as against 2.14 percent in the previous year. In FY2018, the net profit margins stood at 0.90 percent as compared to 0.89 percent in FY2017.

- **Susceptible to raw material price fluctuation and foreign exchange fluctuation risk**

Tushar imports majority of the products from U.S., Australia, Dubai, and other African countries, thus making it exposed to foreign price fluctuations in the raw material prices.

Outlook: Stable

Acuité believes that the outlook on Tushar Traders will remain 'Stable' over the medium term on account of its promoter's extensive experience, moderate working capital and diversified customer base. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.63	26.52	22.36
EBITDA	Rs. Cr.	0.54	0.57	0.40
PAT	Rs. Cr.	0.24	0.24	0.21
EBITDA Margin	(%)	2.03	2.14	1.79
PAT Margin	(%)	0.90	0.89	0.93
ROCE	(%)	9.15	14.01	27.91
Total Debt/Tangible Net Worth	Times	2.10	1.70	3.15
PBDIT/Interest	Times	1.96	1.88	2.19
Total Debt/PBDIT	Times	7.68	5.21	5.01
Gross Current Assets (Days)	Days	85	67	48

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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 (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	4.50	ACUITE B+ / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Sanket Kotkar Analyst - Rating Operations Tel: 02249294073 sanket.kotkar@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.