

Press Release

Aditya Global Trading

July 17, 2019



Rating Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 6.00 crore bank facilities of ADITYA GLOBAL TRADING. The outlook is '**Stable**'.

M/s Aditya Global Trading (AGT), a Coimbatore based partnership firm incorporated in 2015, is managed by Mr. P. Selvakumar and his wife, Mrs. S Karthika. AGT is engaged in allied businesses of processing and trading of dal (black gram/urad dal), two-wheeler automobile lubricant oils, and spares of various original equipment manufacturers (OEMs).

About the Group:

Rajkrishna Aditya Auto Store Private Limited (RAPL), incorporated in 2004, is promoted by Mr. P. Selvakumar and his wife, Mrs. S Karthika. The company is an authorised dealer for the spares and accessories of Maruti Suzuki India Limited (MSIL). The company has 19 distribution centers across Chennai, Madurai, Trichy, and Coimbatore, among others in Tamil Nadu and Pondicherry.

Aditya Automobile Spares Private Limited (AAPL), incorporated in 2001, is promoted by Mr. P. Selvakumar and his wife, Mrs. S Karthika. AAPL is engaged into trading of two-wheeler automobile spares and accessories of various OEMs. It has 6 stores across Tamil Nadu.

Analytical Approach

Acuité has taken standalone approach while arriving at the ratings of M/s Aditya Global Trading despite having common management as it deals in agro commodities and there are no financial or operational synergies, or corporate guarantee from the other two entities.

Key Rating Drivers

Strengths

- Experience of partners along with long standing relationship with key OEMs**

The partners, Mr. P. Selvakumar and Mrs. S. Karthika have experience of more than three decades in the automobile industry. The partners have gained good insight about the industry and have developed healthy customer and supplier relations.

Weaknesses

- Modest scale of operations**

The operations of the company are modest marked by modest revenue of Rs.4.44 crore for FY2019 (Provisional) as compared to Rs.3.95 crore for FY2018. The firm is currently planning for expansion of business lines into sales of helmet, racing products and accessories, two-wheeler tyres among others. The firm is also planning to open 3 more multibrand two-wheeler spare parts retail outlet at Tirupur, Mettupalayam and Sathyamangalam in Tamil Nadu. The same is expected to support in improvement of its revenues to about Rs.10.0 - 15.0 crore over the medium term.

- Moderate financial risk profile**

The firm's financial risk profile is marked by moderate gearing, high total outside liabilities to tangible net worth (TOL/TNW), and weak debt protection metrics. Its gearing and TOL/TNW are at 1.69 and 3.47 times as on March 31, 2019 (Provisional). Net worth is modest at Rs. 1.33 crore in FY2019 (Provisional) as against Rs.1.28 crore in FY2018. Its debt protection metrics are weak as interest coverage ratio and net cash accruals to total debt are at 1.30 and 0.03 times in FY2019 (Provisional). The firm reported modest

cash accruals of Rs.0.07 crore in FY2019 (Provisional) against no repayment obligations. Acuité believes that with modest accruals and no major debt-funded capex, the financial risk profile is expected to improve marginally over the medium term.

• **Moderate working capital operations**

The firm's operations are working capital intensive as evident from its Gross Current Assets (GCA) of 478 days as on March 31, 2019 (Provisional) as against 517 days as on March 31, 2018. The firm maintains an inventory of about 343 days and debtor days stood at 141 as on March 31, 2019 (Provisional). This has led to full utilisation of its working capital limits for the past 6 months through 31 March, 2019. Acuité believes that the operations continue to be working capital intensive owing to dealing in diverse and huge varieties of products.

Liquidity Position:

Liquidity of the firm is stretched marked by modest cash accruals, working capital intensive business and high bank limit utilisation. It has reported modest cash accruals of Rs. 0.07 crore in FY2019 (Provisional). Net Cash Accruals is expected to be in the range of Rs. 0.3 - 0.4 crore against no repayment obligations over the medium term. The firm's operations are working capital intensive with GCA of 478 days in FY2019 (Provisional); this led to high utilisation of its bank lines at about 99 per cent for 6 months through 31 March, 2019 (Provisional). The firm's current ratio is comfortable at 1.26 times as of March 31, 2019 (Provisional). The firm undertakes regular capex of about Rs.0.05 - Rs. 0.10 crore and Acuité believes that with expansion plans to start new stores, the liquidity is expected to be stretched though supported by capital infusion, on need basis.

Outlook:

Stable Acuité believes that AGT will maintain a 'Stable' outlook over medium term on account of established track record of partners in the industry. The outlook may be revised to 'Positive' in case the firm achieves significantly higher than expected revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of higher-than-expected debt-funded capex or stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	4.44	3.95	6.54
EBITDA	Rs. Cr.	0.33	0.37	0.36
PAT	Rs. Cr.	0.04	0.04	0.05
EBITDA Margin	(%)	7.45	9.26	5.54
PAT Margin	(%)	1.00	0.96	0.73
ROCE	(%)	8.11	9.03	9.57
Total Debt/Tangible Net Worth	Times	1.69	2.13	1.79
PBDIT/Interest	Times	1.30	1.31	1.33
Total Debt/PBDIT	Times	6.79	7.49	6.18
Gross Current Assets (Days)	Days	478	517	247

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>
- 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. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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