

Press Release

A T Trade Overseas Private Limited

November 18, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	184.00	-	ACUITE A3+ Reaffirmed
Bank Loan Ratings	20.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	6.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	210.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 190.00 Cr bank facilities of A T Trade Overseas Private Limited (ATPL). The outlook is '**Stable**'.

Acuite has also assigned the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs. 20.00 Cr bank facilities of A T Trade Overseas Private Limited (ATPL).

Rationale for rating reaffirmation

The rating reaffirmation takes into account the improved operating performance of HG during FY2022. The group reported revenues to the tune of Rs.3,979 Cr in FY2022 against Rs.1,894 Cr. in FY2021 marking a significant revenue growth of nearly 110 percent. The growth in revenues during FY2022 is partially contributed by increased prices of Coal and Steel. However, the growth is also supported by increase in its total quantity sold during FY2022 against FY2021. The group import and trading cargo has increased to 3.80 million MT in FY2022 from 3.26 million MT in FY2021. The reaffirmation further considers the continuing healthy capital structure characterised by healthy net worth profile and low gearing ratios supported by comfortable debt protection metrics. The reaffirmation also gets comfort from sound business practices of the group supported by the promoter's business experience and long-term presence in the line of business, streamlined business model that is adequately hedged against possible risks and continued maintenance of healthy liquidity. However, the strengths are offset by its fluctuating working capital cycle, competitive and fragmented nature of the industry, susceptibility of revenues to the demand and supply forces and counterparty credit risk.

About Company

Incorporated in the year 1997 for trading of imported and domestic dry bulk commodities, ATPL is being managed by Mr. Ashok Kumar Sharma & Mr. Adarsh Gupta in the capacity of

directors and Mr. Sandeep Hisaria in the capacity of CEO. ATPL is mainly engaged into trading of various dry bulk commodities viz. coal, coke, shredded scrap, heavy melting scrap, billets, pellets, sponge iron, iron ores, etc. and textile products. These products are being supplied to various leading domestic players engaged in the industrial manufacturing. ATPL sources/imports the products against the confirmed orders from domestic buyers. The orders are booked as a standard practice of taking 10-15 percent advances against the orders.

Such advances are kept as fixed deposits which provides additional liquidity cushion to the company. ATPL is importing coal & coke from South Africa, Indonesia & Australia, Russia & USA and importing materials viz. iron shredded scrap, heavy melting scrap, sponge iron, Iron ore, billets and plates, plastics, etc. from gulf countries, China, Russia & USA.

About the Group

Hisaria Group is promoted by Late Mr. Sawarmal Hisaria in the year 1964, of Hisaria family based out of Mumbai. The firm was initially engaged in the trading of plain dyed cotton & synthetic sarees, blouse pieces, dress material, towels, bed sheets, among others. The group procures the variety of imported bulk cargo from mines & manufacturers situated in Australia, South Africa, Korea, United States of America, United Kingdom, Russia, Egypt, Mexico, China, Indonesia, etc. The Group has built in established presence at all the major ports in country situated at coast of State of Gujarat, Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra, Orissa, etc. to handle shipments ranging from 50,000 MT to 1,20,000 MT in a single shipload. Pan India coastal connectivity enables the group to cater the customers located in any part of the India. Hisaria Group comprises of four entities i.e. PRH Resources Private Limited (PRHPL) (Erstwhile HK Enterprises), Ameet Enterprise (AE), AT Trade Overseas Private Limited (ATPL) and A.T. Global Resources Pte Ltd (ATGRPL). The group companies have no intercompany transactions among themselves. The group has diversified its activities into trading of various bulk commodities comprising of:

- | | |
|-------------------------------|-------------------------|
| i. Coal (Coking & Non-coking) | ii. Plastics |
| iii. Shredded Scrap | iv. Copper Coils |
| v. Heavy Melting Scrap | vi. Iron Ore |
| vii. Scrap Iron | viii. Billets & Pellets |
| ix. Sponge Iron | |

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profile of A T Trade Overseas Private Limited (ATPL), Ameet Enterprises (AE), PRH Resources Private Limited (PRPL) and A.T. Global Resources Pte Ltd. (ATGRPL) together referred to as the 'Hisaria Group' (HG). The consolidation is in view of the similar line of business and common promotor family.

Acuité had consolidated the below mentioned entities previously:

- A T Trade Overseas Private Limited (ATPL),
- Ameet Enterprises (AE),
- PRH Resources Private Limited (PRPL)

Acuité has now received the details of A T Global Resources Pte Ltd. (ATGRPL) and has consolidated the business and financial risk profile of ATGPRL along with other group entities, as it is in the same line of business, common management, and management's stated posture to look at all these as a whole.

Key Rating Drivers

Strengths

Group's vintage presence in trading business

The group was founded in 1964 by late Mr. Sawarmal Hisaria, thus; has an operational track record of over five decades. The group started the business with trading of textile products. Later in 1997, sons of Mr. Sawarmal Hisaria - Mr. Sandeep Hisaria and Mr. Sangeet Hisaria joined the family business and diversified the group activities into trading of imported bulk commodities comprising of coal (coking and non-coking), shredded scrap, heavy melting scrap, billets, pellets, sponge iron, iron ores and textile products among others. The established operational track record has helped the group maintain long standing relations with customers and suppliers both in domestic and international geographies. The group benefits from its experienced promoters who collectively possess around four decades of experience in the coal trading industry.

Acuité believes that the group will continue sustaining its existing business profile on the back of its established track record and experienced management.

Streamlined business model with adequate cash coverage for timely retirement of LCs' that mitigates unforeseen distress

The group is engaged mainly in the trading of imported bulk commodities like coal with a single shipload estimating 50,000 MT to 1,20,000 MT for supplies to varied large industrial users. The group has chalked out a systematic end-to-end process right from identification of supplier and buyer for a shipment to timely closure of financial obligations against the shipment. The group receives an interest free advance deposit from customer equivalent to 10 to 20 percent of contract value and the title of the cargo remains with the group until complete value of cargo is recovered. Further, material is supplied on cash and carry basis to the customers, while extending credit of advance deposit only at the time of lifting of last batch of shipment. Thus, the customer pays upfront equivalent to PMT value before receiving a delivery order from HG. The group is invested into importing of coking and non-coking coal mainly from overseas and majorly relies on the letter of credit facility. The group purchases its raw materials which are backed by LCs' with an usance period of 90 to 180 days and the LC payments are made from sale proceeds received in tranches from customers, not exceeding more than 135 days; depending on the complete unloading of cargo. The group also follows methodically accumulating the sale proceeds in the form of fixed deposits for timely retirement of LC's. No major bunching of the LC's since not all LCs' are due at same point of time. Further, the contract agreement also stipulates for the customer to complete the lifting of cargo within an agreed period or the group is eligible to forfeit all advances against the cargo and sell the cargo to another party. The group also maintains an additional margin of approx. 5 percent from customer in order to cover the foreign exchange exposure. The group does not maintain any long-term quantity supply/procurement contract and neither have long-term fixed price contract; each shipment is negotiated independently. LC outstanding as on July, 2022 stood at Rs. 237.80 Cr against an unencumbered cash balances of Rs. 334.61 Cr as on July, 2022.

Acuité believes that group's financial discipline for retirement of LCs is expected to support its cash flow management in an effective manner.

Healthy financial risk profile

HG's capital structure has continued to remain healthy with a healthy network profile whilst supporting the group in the form of unsecured loans. The net worth on a consolidated level stood at Rs.353 Cr. as on March 31, 2022 against Rs. 288 Cr. as on March 31, 2021. Gearing levels have also remained healthy at 0.63 times as on March 31, 2022 against 0.44 times as on March 31, 2021. The total debt of Rs.222 Cr. during FY2022 includes long term debt of around Rs.2 Cr., USL to the tune of Rs. 73 Cr. and short-term borrowings to the tune of Rs.147 Cr. Further, the coverage indicators stood improved and healthy marked by ICR and DSCR of 8.49 and 7.28 times respectively during FY2022 against 4.33 times and 3.84 times in FY2021. The group has NFB facilities to the tune of Rs. 486 Cr. against liquid funds of around Rs. 410 Cr. as on March 2022. The group has further availed enhancement of NFB to the tune of Rs. 515 Cr. in June 2022.

Weaknesses

Fluctuating nature of working capital cycle

Hisaria Group's operations have a fluctuating trend of working capital management as reflected by its gross current asset (GCA) days of around 70 days in FY2022 against 112 days in FY2021 and 105 days in FY2020. The group has a negative working capital cycle on account of minimal holding period of any inventory and presence of back-to-back payment terms with creditor and debtors. The inventory days stood at 7 in FY2022 against 11 in FY2021 and creditor days stood at 45 and 91 during the same period. Since these are trading concerns and not restricted to any optimal utilization, the business volumes depend on the demand-supply factors. Besides, as a key to the business model, the ownership of cargo remains with HG until complete lifting and payments are made by customer. The group mostly deals with shipment with sizes from 50,000 to 1,20,000 MT and above wherein the ideal lead time of lifting is nothing less than 135 days (approx. 4 months & above). Therefore, business happens to get cumulated in the year end (February/March) which is why the cycles continue to remain fluctuating. This is inherent to nature of business and practices followed in the group. The current ratio stood at 1.57 times as on March 31, 2022. The fund-based working capital limits over the last 12-month period through July 2022, was utilized at a nominal rate, while the peak utilization was at around 80 per cent during the same period.

Acuité expects the working capital management to remain on similar lines over the medium term on account of business policies maintained by the group and presence of back-to-back payment terms with creditor and debtors.

Marginal decline observed in operating margins

HG's revenues have increased significantly and reported at Rs.3,979 Cr in FY2022 against Rs.1,894 Cr in FY2021. The growth in revenues during FY2022 is partially contributed by increased prices of Coal and Steel. However, HG has also reported increase in its total quantity sold during FY2022 against FY2021. HG sold around 25.03 lakh MT of cargo in FY2022 against 19.03 lakh MT in FY2021. Further, the group works on fixed trade margins. However, during FY2022 the group had to sell some of its excess cargo bulk on discounted rate than usual. The operating margin during FY2022 stood at 2.13 percent against 2.78 percent in FY2021. However, on the absolute levels HG has recorded healthy revenues and its EBITDA is comfortably sufficient to meet all the obligations. Going forward, sustenance of revenues while maintaining operating margins will remain a key rating sensitivity.

Counterparty credit risk

The group's business process involves purchasing the bulk cargo backed by LCs' and stipulates for the customer to complete the lifting of cargo within an agreed period. However, the group is exposed to certain counterparty credit risk associated with the other party to a financial contract not meeting its obligations or denying to buy the shipment putting HG's financial profile at risk. However, in efforts to mitigate the same, the group has chalked out a systematic end-to-end process where it receives an interest free advance deposit from customer equivalent to 10 to 20 percent of contract value and the title of the cargo remains with the group until complete value of cargo is recovered. Additionally, material is supplied on cash and carry basis to the customers, while extending credit of advance deposit only at the time of lifting of last batch of shipment. Further, the group is eligible to forfeit all advances against the cargo and sell the cargo to another party in case the other party denies to fulfill its commitment.

Rating Sensitivities

- Sustenance of revenue while maintaining stable operating margins
- Any significant stretch in the already fluctuating nature of working capital cycle owing to nature of business
- Bunching of LCs'; any negative gap in the retirement of LC and outstanding value of fixed deposits

Material Covenants

None

Liquidity position - Adequate

HG's liquidity is adequate marked by the adequately available cash in the form of FDRs, sufficient cash accruals generated by the business and comfortable current ratio. The group has generated cash accruals in the range of Rs.34 Cr to Rs.85 Cr. during last three years ending FY2022 as against its long-term debt obligations of Rs.0.11 Cr. to Rs.0.53 Cr for the same period. The group is having a negative working capital cycle and the current ratio stood moderate at 1.57 times as on March 31, 2022 with the average fund-based limit remains utilized at 40 per cent over the 12 months ended July, 2022. The group maintains comfortable level of unencumbered liquid funds of Rs.296 Cr. and margin bank balance of Rs.114 Cr. as on March 31 2022. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term due to the prudent practice of methodically accumulating the sale proceeds from customers in the form of fixed deposits, helping the group to avoid any instances of delayed retirement of LCs, safeguarding against any liquidity crunches.

Outlook: Stable

Acuité believes that the outlook on HG will remain 'Stable' over the medium term given the favorable industry outlook, its established position and adequately hedged trade linkages and continuous maintenance of robust liquidity. The outlook may be revised to 'Positive' in case the group registers higher than-expected growth in the revenues while sustained improvement in its profitability. Conversely, the outlook may be revised to 'Negative' in case of significant bunching of LCs in any particular month and/or in case of negative gap in LC retirement and fixed deposits outstanding or in case of significant deterioration in its financial risk profile or liquidity position overall.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	3979.43	1894.20
PAT	Rs. Cr.	83.39	44.13
PAT Margin	(%)	2.10	2.33
Total Debt/Tangible Net Worth	Times	0.63	0.44
PBDIT/Interest	Times	8.49	4.33

Status of non-cooperation with previous CRA (if applicable)

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2022	Letter of Credit	Short Term	63.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	41.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Withdrawn)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
10 Jun 2021	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	22.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	63.00	ACUITE A3 (Reaffirmed)
12 Dec 2019	Letter of Credit	Short Term	40.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	63.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	22.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	41.00	ACUITE A3+ Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+ Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+ Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	63.00	ACUITE A3+ Reaffirmed
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+ Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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