

Press Release

Peyush Traders

September 07, 2020

Rating Assigned



| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 35.00 Cr. |
| Long Term Rating | ACUITE BB+ / Outlook: Stable (Assigned) |
| Short Term Rating | ACUITE A4+ (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.35.00 crore bank facilities of Peyush Traders (PT). The outlook is '**Stable**'.

Established in 1999, PT is a proprietorship firm engaged in providing services to Indian railways. Services like provision of AC Coach Attendants (ACCAs), setting up and/or operating mechanised laundries for washing, drying and Ironing linen used in the AC coaches, onboard housekeeping and others. The day to day operations is managed by its proprietor, Mr. Rakesh Premnarayan Bhatnagar, who has an experience of over two decades of managing Indian Railways' contracts.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of PT to arrive at the rating.

Key Rating Drivers

Strengths

• Experience Management

PT commenced operations from 1999. The firm is promoted by its proprietor, Mr. Rakesh Premnarayan Bhatnagar who has an experience of over two decades of managing Indian Railway's contracts. He was earlier engaged in trading of electronics appliances to Indian Railways. Post which he started executing service related contracts of Indian Railways. This has helped this firm to maintain a healthy relationship with Indian Railways which is marked by a healthy order book of Rs.400.20 crore. Acuite believes that the company will continue to benefit from its experienced management and established relationships with Indian Railways.

• Comfortable working capital operations

The firm has comfortable working capital operations marked by low Gross Current Assets (GCA) of 80 days (Provisional) in FY2020 as against 74 days in FY2019. The debtor levels stood at 45 days (Provisional) in FY2020 as against 52 days in FY2019, respectively. However, the bank limits are utilised around 95 per cent for the last six months ending July, 2020.

Acuite believes that working capital operations will remain comfortable due to the service nature of the business.

• Moderate financial risk profile

The financial risk profile is moderate, marked by high net worth and high debt protection measures and low gearing. The net worth of the firm stood at Rs.21.39 crore (Provisional) as on 31 March, 2020 as against Rs.11.98 crore as on 31 March, 2019. This includes quasi-equity of Rs.9.34 crore (Provisional) as on 31 March, 2020 as against Rs.4.82 crore as on 31 March, 2019. The gearing of the firm stood low at 0.54 times (Provisional) as on March 31, 2020 as against 0.79 times as on March 31, 2019. Total debt of Rs.11.60 crore consists of long term borrowing of Rs.2.01 crore, unsecured loans from financial institutions of Rs.4.28 crore and working capital facility of Rs.5.31 crore as on 31 March, 2020 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.45 times (Provisional) as on 31 March, 2020 as against 1.64 times as on 31 March, 2019. Interest Coverage Ratio (ICR) stood

at 3.15 times (Provisional) in FY2020 as against 3.39 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.60 times (Provisional) as on 31 March, 2020 as against 0.38 times as on 31 March, 2019. Debt Service Coverage Ratio (DSCR) stood at 3.04 times (Provisional) in FY2020 as against 2.52 times in FY2019.

The firm reported healthy revenue growth with operating income of Rs.90.88 crore (Provisional) in FY2020 as against operating income of Rs.62.41 crore in FY2019 and Rs.38.54 crore in FY2018. This is majorly because of the increase in the number of contracts. Operating margins of the firm improved to 11.16 per cent (Provisional) in FY2020 from 8.10 per cent in FY2019. Further, Profit after Tax (PAT) also improved to 7.15 per cent (Provisional) in FY2020 from 5.04 per cent in FY2019. Acuite believes that the scale of operations will remain muted for FY2021 due to covid19 impact on Indian Railways. However, after FY2021 the scale of operations is expected to improve significantly at the back of a healthy order book.

Acuite believes that inspite of muted revenue expectation for FY2021, the financial risk profile will continue to remain moderate in the absence of major long term debt obligation.

Weaknesses

• Tender based business

Major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. The firm has to bid for tenders on competitive prices; this may affect the profitability of the firm. This has resulted in fluctuating operating profit margins. However, this risk has been partially mitigated by the extensive experience of the proprietor.

Liquidity Position: Adequate

PT has adequate liquidity, marked by adequate net cash accruals for its maturing debt obligations. The firm generated cash accruals of Rs. 6.92 crore (Provisional) in FY2020, Rs. 3.56 crore in FY2019 and Rs. 1.74 crore in FY2018. Its maturing debt obligation was around Rs.1.32 crore (Provisional) in FY2020, Rs.2.57 crore in FY2019 and Rs. 0.51 crore in FY2018. The firm's working capital operations are comfortable as marked by Gross Current Asset (GCA) of 80 days (Provisional) in FY2020. Further, the reliance on working capital borrowing is high; the cash credit limit in the firm remains utilized around 95 per cent during the last 6 months period July, 2020. The firm maintains unencumbered cash and bank balances of Rs.3.68 crore (Provisional) as on 31 March 2020. The current ratio of the firm stood at 1.61 times (Provisional) as on 31 March 2020.

Acuite believes that the liquidity will remain adequate in the absence of major long term debt obligation.

Outlook: Stable

Acuite believes that the firm will maintain 'Stable' outlook over the medium term from the industry experience of its partners. The outlook may be revised to 'Positive' if there is a substantial and sustained improvement in firm's operating income or profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability margins.
- Significant deterioration in financial risk profile and working capital operations of the firm.

Material Covenants

None

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|---------------------------------|-----------|--------------------|---------------|
| Operating Income | Rs. Crore | 90.88 | 62.41 |
| Profit after tax (PAT) | Rs. Crore | 6.50 | 3.14 |
| PAT margin | % | 7.15 | 5.04 |
| Total debt / Tangible Net worth | Times | 0.54 | 0.79 |
| PBDIT / Interest | Times | 3.15 | 3.39 |

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-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

None.

*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 | 5.00 | ACUITE BB+/Stable (Assigned) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE BB+/Stable (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A4+ (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A4+ (Assigned) |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 14.00 | ACUITE A4+ (Assigned) |

Contacts

| Analytical | Rating Desk |
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| Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Saurabh Rane Analyst - Rating Operations Tel: 02249294044 saurabh.rane@acuite.in | Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |

About Acuite Ratings & Research:

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