

Press Release

Peyush Traders

November 29, 2021

Rating Reaffirmed



| Product | Initial Quantum (Rs. Cr.) | Net Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|-------------------|---------------------------|----------------------|---|-------------------------|
| Bank Loan Ratings | 29.00 | 29.00 | | ACUITE A4+ Reaffirmed |
| Bank Loan Ratings | 6.00 | 6.00 | ACUITE BB+ Negative Reaffirmed Stable to Negative | |
| Total | 35.00 | 35.00 | - | - |

*Refer Annexure for details

Rating Rationale

Acuite has reaffirmed 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 Cr bank facilities of Peyush Traders (PT). The outlook is revised to '**Negative**' from '**Stable**'.

Key Reason for Revision in Outlook

The revision in the outlook reflects the liquidity pressure faced by the firm as visible from the full utilization of the working capital limits, working capital intensive operations and withdrawal of capital from the business. The operations of the firm have been severely impacted due to Covid-19 crisis since it majorly caters to Indian Railways. The impact can be seen in terms of significant decline in the operational cash flows for the current year and decline in revenues. Acuite believes that any further stretch in liquidity along with any further withdrawal of capital from the business will be a key rating sensitivity factor.

About the Firm

PT, established in 1999, is a Mumbai-based proprietorship firm engaged in providing services to Indian railways. Services include provision of AC Coach Attendants (ACCAs), setting up and/or operating mechanized laundries for washing, drying and ironing linen used in the AC coaches, onboard housekeeping and others. New services started by the firm in February, 2021 are more over the food industry such as railway running room for railway staff, restaurants Nearby Railway Station in Rail yard (Inside the Bogie) and watering Inside the Rail bogie. The day to day operations is managed by its proprietor, Mr. Rakesh P. Bhatnagar.

Analytical Approach

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

Key Rating Drivers

Strengths

>Experienced management

PT commenced operations from 1999. The firm is promoted by its proprietor, Mr. Rakesh P. 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

the firm to maintain a healthy relationship with Indian Railways which is marked by a healthy order book of Rs.385.08 crore which is expected to be executed in the next 2-3 years. Out of the total order book, Rs.144.68 crore is expected to be executed in the next 2-3 months. This gives adequate revenue visibility over the medium term.

Acuité believes that the firm will continue to benefit from its experienced management and established relationships with Indian Railways.

Weaknesses

>Average financial risk profile

The financial risk profile of PT is average marked by decline in net worth, moderate gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 0.60 times as on March 31, 2021 (Provisional) against 0.52 times as on March 31, 2020. TOL/TNW stood at 1.23 times as on March 31, 2021 (Provisional) against 1.41 times as on March 31, 2020. Tangible net worth of the firm declined and stood at Rs.18.92 crore as on March 31, 2021 (Provisional) against Rs.19.99 crore as on March 31, 2020. The net worth came down majorly due to the decline in the quasi equity of the firm which stood at Rs.6.76 crore in FY2021 (Provisional) against Rs.9.32 crore in FY2020. The amount was given to directors / relatives for their requirement which was infused again in FY2022. The total debt of Rs.11.40 crore as on March 31, 2021 (Provisional) mainly consists of long-term debt of Rs.2.21 crore, short-term debt of Rs.5.93 crore and unsecured loans of Rs.3.26 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 2.17 times and 0.28 times respectively in FY2021 (Provisional); while DSCR stood at 2.02 times in FY2021 (Provisional).

The firm has availed Covid Loan (SLC-MSME-Short Term Loan of Rs.0.50 crore as on May, 2020 and the repayment is expected to be completed by May, 2022. The firm has also availed another Covid loan (WCTL-ECLGS) of Rs.0.95 crore as on June, 2020 and the repayment is expected to be completed by June, 2024.

Acuité believes that the financial risk profile of the firm is expected to remain at similar level over the medium term.

>Working capital intensive operations

PT's working capital operations are intensive marked by Gross Current Asset days (GCA) of 156 days in FY2021 (Provisional) against 56 days in FY2020. The debtors' days stood at 66 days in FY2021 (Provisional) against 33 days in FY2020. The average credit period given to customers is around 60-90 days. The creditors days stood at 37 days in FY2021 (Provisional) against 16 days in FY2020. The firm enjoys a credit period of 30-40 days from their suppliers. However, working capital limits remains fully utilized for the last 6 months ended October, 2021. Acuité believes that the firm's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

>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.

>Impact of Covid-19 on the business

The firm faced problems due to the pandemic situation. The turnover stood at Rs.44.99 crore in FY2021 (Provisional) against Rs.87.01 crore in FY2020. The decline in turnover in FY2021 is majorly due to the impact of Covid-19. The firm has already achieved turnover of Rs.20.43 crore for 7MFY2022 and is expecting to achieve around Rs.45 crore in FY2022. The firm is expecting same level of revenues in FY2022 as compared to FY2021 since laundry and ACCA services have not yet started. It is expected to start in the next 2-3 months. The firm generates major revenues from these services. Even the restaurant services are expected to start in the next 2-3 months. However, the firm is expecting to achieve higher revenues of

around Rs.75 crore in FY2023, since the laundry and ACCA services are expected to start in the next 2-3 months plus new services are also expected generate high revenues. The firm has a healthy order book of Rs.385.08 crore which is expected to be executed in the next 2-3 years. Out of the total order book, Rs.144.68 crore is expected to be executed in the next 2-3 months. This gives adequate revenue visibility over the medium term.

>Risk of capital withdrawal

PT was established as a proprietorship firm in 1999. The firm has withdrawn the capital in FY2021 (Provisional) as reflected by the tangible net worth of the firm which declined and stood at Rs.18.92 crore as on March 31, 2021 (Provisional) against Rs.19.99 crore as on March 31, 2020. The net worth came down majorly due to the decline in the quasi equity of the firm which stood at Rs.6.76 crore in FY2021 (Provisional) against Rs.9.32 crore in FY2020. Any further withdrawal of capital by the proprietor is likely to have an adverse impact on the capital structure.

Liquidity: Stretched

PT has a stretched liquidity position as reflected by working capital intensive operations and full utilization of the working capital facilities. The firm generated cash accruals in the range of Rs.3.16 crore – Rs.4.86 crore during the last three years through FY2018-21 against moderate repayment obligations in the range of Rs.0.19 crore – Rs.0.36 crore during the same period. It is expected to generate cash accruals in the range of Rs.3.33 crore – Rs.10.01 crore over the medium term, against moderate repayment obligations in the range of Rs.0.52 crore – Rs.0.83 crore. Unencumbered cash and bank balances stood at Rs.3.48 crore as on March 31, 2021 (Provisional) with a current ratio of 1.46 times in the same period. Liquid investments stood at Rs.6.05 crore as on March 31, 2021 (Provisional). The working capital limits remains fully utilized for the last 6 months ended October, 2021.

Acuité believes that liquidity profile is expected to remain stretched on account of working capital intensive operations and high bank limit utilization.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Outlook: Negative

Acuité believes that the PT's credit profile will be under pressure on account of significant moderation in its operating performance leading to cash flow stress over the near term. The rating may be downgraded in case continued stretch in liquidity profile and working capital intensive operations, leading to deterioration in debt protection indicators. Conversely, the outlook may be revised to 'Stable' if the firm is able to show significant improvement in revenues and profitability while efficiently managing its working capital cycle and liquidity position.

Key Financials

| Particulars | Unit | FY 21 (Provisional) | FY 20 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 44.99 | 87.01 |
| PAT | Rs. Cr. | 2.79 | 4.40 |
| PAT Margin | (%) | 6.20 | 5.05 |
| Total Debt/Tangible Net Worth | Times | 0.60 | 0.52 |
| PBDIT/Interest | Times | 2.17 | 2.40 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|--------------------------------|
| 07 Sep 2020 | Cash Credit | Long Term | 5.00 | ACUITE BB+ Stable (Assigned) |
| | Bank Guarantee | Short Term | 10.00 | ACUITE A4+ (Assigned) |
| | Cash Credit | Long Term | 1.00 | ACUITE BB+ Stable (Assigned) |
| | Proposed Bank Facility | Short Term | 14.00 | ACUITE A4+ (Assigned) |
| | Bank Guarantee | Short Term | 5.00 | ACUITE A4+ (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Initial Quantum (Rs. Cr.) | Net Quantum (Rs. Cr.) | Rating |
|---------------------|------------------------------------|----------------|------------------|----------------|----------------|---------------------------|-----------------------|---|
| Bank of Maharashtra | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 0.00 | 10.00 | ACUITE A4+ Reaffirmed |
| Indusind Bank Ltd | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 0.00 | 5.00 | ACUITE A4+ Reaffirmed |
| Bank of Maharashtra | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 0.00 | 5.00 | ACUITE BB+ Negative Reaffirmed Stable to Negative |
| Indusind Bank Ltd | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 0.00 | 1.00 | ACUITE BB+ Negative Reaffirmed Stable to Negative |
| Not Applicable | Proposed Short Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 0.00 | 14.00 | ACUITE A4+ Reaffirmed |

#Performance BG is sublimit of Cash Credit of indusind bank to the extent of Rs.1.00crore.

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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