

Press Release

Peyush Traders

August 30, 2022

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	29.00	-	ACUITE A4 Downgraded
Bank Loan Ratings	6.00	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	35.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long term rating from "**ACUITE BB+**" (read as **ACUITE double B Plus**) to "**ACUITE C**" (read as **ACUITE C**) and short term rating from "**ACUITE A4+**" (read as **ACUITE A four Plus**) to "**ACUITE A4**" (read as **ACUITE A four**) on the Rs.35 Crore bank facilities of **PEYUSH TRADERS**.

Reason for Downgrade in Rating

The rating has been downgraded on the account of ongoing delays in interest payments against the debt obligations and overall account conduct is unsatisfactory as confirmed by the banker.

About the Company

Peyush Traders (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 (SLCMSME-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 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.

On going delay in servicing of debt obligations

There are on going delays in interest payments against debt obligations and overall account conduct is unsatisfactory.

Rating Sensitivities

- Clean track record of last three years.
- The financial profile of the company has improved so far.

Material covenants

None.

Liquidity Position

Poor

PT has a stretched liquidity position as reflected by working capital intensive operations and full utilization of the working capital facilities. The working capital limits remains fully utilized for the last 6 months ended October, 2021. Acuite believes that liquidity profile is expected to remain stretched on account of working capital intensive operations and high bank limit utilization. In addition to that, there are delay in interest payments and overall account conduct is unsatisfactory as confirmed by the banker.

Outlook

Not Applicable.

Other Factors affecting Rating

None

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

None

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
29 Nov 2021	Cash Credit	Long Term	1.00	ACUITE BB+ Negative (Reaffirmed)
	Proposed Bank Facility	Short Term	14.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+ Negative (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)

07 Sep 2020	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	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 Downgraded
Bank of Maharashtra	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 Downgraded
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE C Downgraded
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE C Downgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4 Downgraded

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About Acuité Ratings & Research

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