

Press Release

Ashavari Trading Private Limited

April 16, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE BB/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.10 Cr bank facilities of Ashavari Trading Private Limited (ATPL). The outlook is '**Stable**'.

The rating on ATPL is driven by a steady business risk profile of the company marked by its experienced management and low albeit improving profitability margins. Further, the rating draws comfort from the efficient working capital management of the company. These strengths are partly offset by the small scale of operations and stiff competition which limits bargaining power.

About the company

Incorporated in February, 2012, Ashavari Trading Private Limited (ATPL) is promoted and headed by Mr. Arindam Chatterjee and Mrs. Tania Chatterjee. The company is engaged in wholesale trading of FMCG products and the product portfolio of the company includes Everest spices, home care and personal care products. The company rents 9 warehouses for storage purpose. They cater to the distributors of Hooghly, Howrah and North 24 Parganas districts in West Bengal.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

ATPL's board of directors comprise of three directors, namely Mr. Arindam Chatterjee, Mrs. Tania Chatterjee and Mr. Ranadeb Chatterjee. The management has more than three decades of experience in the wholesale trading business. They are also supported by capable professionals. Prior to setting up the company, the promoters were into trading of similar products through their proprietary business named 'Ashavari Trading'. Acuité derives comfort from the long experience of the management and believes this will benefit the firm going forward, resulting in steady growth in the scale of operations.

- **Efficient working capital management**

The efficient working capital management of the company is marked by low Gross Current Assets (GCA) of 40 days in FY2020 as compared to 37 days in FY2019. The debtor period stood low at 5 days as on 31st March 2020 as compared to 6 days as on 31st March 2019. Further, the inventory holding is comfortable at 30 days as on 31st March 2020 as compared to 28 days as on 31st March 2019. Going forward, Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from efficient collection mechanism and low inventory levels maintained.

Weakness

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by relatively low networth levels, moderate gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs.3.10 crores as on 31st March, 2020 from Rs.2.46 crores as on 31st March, 2019. Gearing of the company stood at 1.60 times as

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on 31st March, 2020 as compared to 1.92 times as on 31st March, 2019. The debt of Rs.4.94 crore entirely comprises of working capital loan of Rs.4.94 crore as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 1.60 times as on 31st March, 2020 as against 2.21 times as on 31st March, 2019. The debt protection metrics of the company is marked by Interest Coverage Ratio at 2.95 times as on 31st March, 2020. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times as on 31st March, 2020. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

- **Low albeit improving profitability margins due to trading nature of operations**

The profitability margins of the company are steady with operating margin of 1.77 per cent in FY20 as compared to 1.57 per cent in FY19 and 1.29 per cent in FY18. The PAT margins stood at 0.91 per cent as on FY2020 as against 0.77 per cent as on FY2019. The steady profitability margins have translated into healthy RoCE levels for the company of about 17.12 per cent in FY2020 as against 18.80 per cent in FY2019. Acuité believes that the profitability margins of the company will remain rangebound due to the trading nature of operations.

- **Fragmented nature of industry with too many competitors**

Fragmented and competitive space in the FMCG trading industry with presence of several small players operating in the same region, limits bargaining power for entities like ATPL. This is no barrier to entry and hence risk of being washed by existing big players.

Rating Sensitivity

- Growth in scale of operations while improving profitability margin
- Improvement in financial risk profile

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.0.65 crores in FY2020 as against no long term debt repayment over the same period. The fund based limit remained utilised at 34 percent over the eleven months ended February, 2021. The current ratio stood comfortable at 1.61 times as on 31st March, 2020 as compared to 1.44 times as on 31st March, 2019. The cash and bank balances of the company stood at Rs.0.03 crores in FY2020 as compared to Rs.0.14 in FY2019. The company has efficient working capital management as reflected by high Gross Current Assets (GCA) of 40 days in FY2020 as compared to 37 days in FY2019. However, the company availed a Covid loan of Rs.0.91 crores and a loan moratorium. Acuité believes that going forward, the liquidity position of the company will improve due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on ATPL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and moderate business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its scale of operations, while expanding its networth base. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to deterioration of its gearing and liquidity position.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	69.79	77.18
PAT	Rs. Cr.	0.64	0.59
PAT Margin	(%)	0.91	0.77
Total Debt/Tangible Net Worth	Times	1.60	1.92
PBDIT/Interest	Times	2.95	2.92

Status of non-cooperation with previous CRA

- CARE, vide its press release dated Jan 21, 2021 had denoted the rating of Ashavari Trading Private Limited as 'CARE BB-/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BB/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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