

Press Release

Trade Wings Limited

March 16, 2020

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs.16.38 Cr. (Enhanced from Rs.13.21 Cr.)
Long Term Rating	ACUITE B+ / Outlook: Stable (Reaffirmed & Assigned)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.12.38 crore and assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.4.00 crore of bank facilities of Trade Wings Limited (TWL). The outlook is '**Stable**'.

Mumbai-based, TWL was incorporated in 1949 and is promoted by Mittal Brothers. TWL is engaged in providing travel related services comprising of airline ticket booking, visa processing, and car renting among others. The company has presence in more than 30 cities across the country and has more than 150 employees.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of TWL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

TWL is operational since 1949. The promoters, Mr. Shailendra Mittal, Mr. Vinayak S Ubhayakar, and Mr. Vaidhyanathan have more than three decades of experience in the tourism industry. The long track record of operations and experience of management has helped the company to sustain in the highly competitive industry.

Weaknesses

- **Average financial risk profile**

TWL's financial risk profile remained average marked by low net worth, average debt protection metrics and high gearing. The net worth of the company stood at Rs.7.28 crore as on 31 March 2019 as against Rs.7.16 crore as on 31 March 2018. The gearing level (debt-equity) stood high at 3.04 times as on 31 March 2019 as against 2.83 times as on 31 March 2018. The total debt of Rs.22.16 crore as on 31 March, 2019 consists of working capital borrowings of Rs.12.91 crore, long term debt of Rs.4.79 crore and unsecured loan from promoters of Rs.4.46 crore. Debt protection metrics stood average marked by interest coverage ratio (ICR) of 1.21 times in FY2019 as against 1.25 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood low at 0.03 times for both FY2019 and FY2018. Debt to EBITDA stood at 5.86 times in FY2019 as against 5.88 times in FY2018.

Acuite believes that the financial risk profile of the company is expected to remain average over medium term on account of average net cash accruals and debt protection matrices.

- **Competitive Industry**

The company faces intense competition from various ticket booking players that include online and offline booking agents in India, which is likely to have an impact on its operating performance and profitability.

Rating sensitivities

- Substantial improvement in scale of operation while maintaining profitability margins over the medium term.
- Deterioration in debt protection indicators.

Material Covenants

None

Liquidity Position

TWL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.61 crore for FY2019, while it had maturing debt obligations of Rs.0.32 crore for the same period. The cash accruals of TWL are estimated to remain in the range of around Rs.0.54 crore to Rs.0.60 crore during 2020-22 against repayment obligations of Rs.0.45 crore. The company's working capital operations are efficiently managed marked by 49 gross current asset (GCA) days for FY2019. TWL maintains cash and bank balances of Rs.1.99 crore as on 31 March, 2019. The current ratio stands at 1.31 times as on 31 March, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual against debt repayments over the medium term.

Outlook: Stable

Acuite believes TWL will maintain a 'Stable' business risk profile over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile and profitability of the company.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	281.49	268.22
PAT	Rs. Cr.	0.13	0.08
PAT Margin	(%)	0.05	0.03
Total Debt/Tangible Net Worth	Times	3.04	2.83
PBDIT/Interest	Times	1.21	1.25

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Services 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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Aug-2019	Cash Credit	Long Term	12.00	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short term	0.38	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.83	ACUITE B+ / Stable (Reaffirmed)
15-Jun-2018	Cash Credit	Long Term	10.00	ACUITE B+ / Stable (Upgraded from ACUITE B/ Stable)
	Bank Guarantee	Short term	3.21	ACUITE A4 (Reaffirmed)
22-Mar-2016	Cash Credit	Long Term	8.00	ACUITE B- / Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	0.29	ACUITE B- / Stable (Assigned)
	Bank Guarantee	Short Term	1.21	ACUITE A4 (Assigned)

*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	12.00	ACUITE B+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ / Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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