

Press Release

Exim Corporation

May 03, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded short term rating to '**ACUITE A4' (read as ACUITE A four)** from '**ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 12.00 crore bank facilities of Exim Corporation (EC). The outlook is '**Stable**'.

The rating downgrade is driven by substantial decline in operating income and profitability margins for FY2019 (Provisional) due to reduction in bank limit of EC.

Mumbai-based, EC is a proprietorship concern established in 1991 by Mr. Amit Tibrewala. EC is engaged in the export and trading of chemical products mainly used in pharmaceutical and chemical industries. The firm majorly exports to USA and European countries.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of EC to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoter and established track record of operations**

EC was established in 1991 by the Proprietor, Mr. Amit Tibrewala, who has experience of over two decades in the chemical industry. He is well supported by his father, Mr. Shyamsunder Tibrewala, who also possesses experience in the business of over three decades. The management has helped EC develop healthy relationships with suppliers and customers over the years.

- **Moderate working capital management**

The operations of EC are moderately managed as marked by Gross Current Asset (GCA) days of 86 in FY2018 as compared to 122 in FY2017. This is majorly on account of decreased receivables. Subsequently, there was a reduction in payables period which stood at 23 days in FY2018 as compared to 64 days in FY2017. EC gets 30-60 days of credit period from suppliers. The inventory holding period stood at 10 days in FY2018 as compared to 7 days in FY2017.

Weaknesses

- **Average financial risk profile**

The financial risk profile of EC is average marked by tangible net worth of Rs.2.13 crore as on 31 March, 2018 as compared to Rs.1.10 crore 31 March, 2017. The total debt of Rs.5.98 crore outstanding as on 31 March, 2018 consists of unsecured loans from Directors of Rs.0.13 crore and working capital borrowing from the bank of Rs.5.84 crore. The gearing improved slightly to 2.80 times as on 31 March, 2018 as compared to 3.26 times as on 31 March, 2017. Interest Coverage Ratio stood healthy at 4.29 times in FY2018 as against 5.53 times in FY2017. The net cash accruals have increased to Rs.2.69 crore in FY2018 as compared to Rs.1.86 crore in FY2017. The NCA/TD ratio has remained healthy at 0.45 times in FY2018 as compared to 0.52 times in FY2017. Acuité believes that the financial risk profile of EC will deteriorate in the medium term due to low turnover and margins booked in FY2019.

• **Competitive and fragmented industry**

EC operates in a highly competitive and fragmented industry characterised by a large number of organised and unorganised players affecting margins.

Liquidity Position:

EC has average liquidity marked by average net cash accruals with no maturing debt obligations. EC generated cash accruals of Rs.0.97-2.69 crore during the last three years through 2017-18, while its maturing debt obligations were Rs.0.10 crore over the same period. The cash accruals of EC are estimated to remain around Rs.1.24-2.18 crore during 2019-21, while its repayment obligation is estimated to be NIL. EC maintains unencumbered cash and bank balances of Rs.0.24 crore as on March 31, 2018. The current ratio of EC stood average at 1.18 times as on March 31, 2018. Acuité believes that the liquidity of EC is likely to remain average over the medium term on account of decline in cash accruals, however, no major repayments obligations over the medium term.

Outlook: Stable

Acuité believes that EC's outlook will remain 'Stable' over the medium term as it will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue while improvement in the financial risk profile and profitability. The outlook may be revised to 'Negative' in case of lower than expected revenue and profitability or further deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.00	20.58	11.99
EBITDA	Rs. Cr.	3.48	2.27	1.36
PAT	Rs. Cr.	2.56	1.71	0.83
EBITDA Margin	(%)	8.09	11.05	11.34
PAT Margin	(%)	5.96	8.33	6.96
ROCE	(%)	52.75	48.36	59.96
Total Debt/Tangible Net Worth	Times	2.80	3.26	3.45
PBDIT/Interest	Times	4.29	5.53	3.46
Total Debt/PBDIT	Times	1.71	1.58	2.33
Gross Current Assets (Days)	Days	86	122	146

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

Not applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
06-Mar-2018	Packing Credit	Short Term	10.00	ACUITE A4+ (Assigned)
	Standby Line of Credit	Short Term	2.00	ACUITE A4+ (Assigned)

*Includes sublimit of Letter of Credit (LC) to the extent of Rs. 4.00 crore, Cash Credit (CC) to the extent of Rs. 2.00 crore

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Downgraded)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Downgraded)

*Includes sublimit of Letter of Credit (LC) to the extent of Rs. 4.00 crore, Cash Credit (CC) to the extent of Rs. 2.00 crore

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About Acuité Ratings & Research:

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