

Press Release

Exim Corporation

July 23, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.12.00 crore bank facilities of Exim Corporation (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 the 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.

Acuité believes that EC will continue to benefit from the promoter's established presence in the chemical industry over the medium term.

- **Improvement in working capital management**

The operations of EC are moderately managed marked by Gross Current Asset (GCA) days of 59 days in FY2020 (provisional) as compared to 98 days in FY2019. This is majorly on account of decreased receivables during the same period. Subsequently, there was a reduction in payables period, which stood at 33 days in FY2020 (provisional) as compared to 68 in FY2019 and also the firm gets 30-60 days of credit period from suppliers.

Acuité believes the ability of the firm to manage its working capital cycle will be a key rating sensitivity.

Weaknesses

- **Moderation in revenues and profitability margins**

Revenue from operations of the firm has witnessed a decline in FY2020 (provisional) to Rs.23.92 crore compared to Rs.34.53 crore in FY2019. The decline was majorly on account of lack of merchant trade finance from banks leading to loss of various orders from clients. Subsequently, the profitability margins of the firm also declined to 3.53 percent in FY2020 (provisional) compared to 5.31 percent in FY2019 majorly due to an increase in employee cost and other expenses.

Acuité believes that the ability of the company to increase the scale of operations would be the key monitorable over the medium term.

- **Weak financial risk profile**

The financial risk profile of EC is weak marked by low tangible net worth of Rs.1.10 crore as on 31

March, 2020 (provisional) as compared to Rs.1.60 crore in FY2019. The total debt of Rs.1.71 crore outstanding as on 31 March, 2020 (provisional) consists of unsecured loans from directors of Rs.0.05 crore and working capital borrowings from a bank of Rs.1.66 crore. The gearing level of the firm improved to 1.55 times as on 31 March, 2020 (provisional) as compared to 2.35 times as on 31 March, 2019. However, Interest Coverage Ratio declined to 1.79 times in FY2020 (provisional) as against 2.42 times in FY2019. The net cash accruals also decreased to Rs.0.37 crore in FY2020 (provisional) as compared to Rs.1.08 crore in FY2019. Subsequently, the NCA/TD ratio declined to 0.22 times in FY2020 (provisional) as compared to 0.29 times in FY2019.

Acuité believes that the financial risk profile of EC will remain weak over the medium term due to the expected decline in turnover and margins.

Liquidity Position: Stretched

EC has stretched liquidity marked by a decline in net cash accruals over the period FY2018-20 (provisional) with no maturing debt obligations. EC has generated cash accruals of Rs.2.69 to 0.37 crore during the last three years through 2018-20 (provisional), while no maturing debt obligations over the same period. The cash accruals of EC are estimated to remain around Rs.0.21 - 0.28 crore during 2021-23 while its repayment obligation is estimated to be NIL. EC maintains unencumbered cash and bank balances of Rs.0.38 crore as on March 31, 2020 (provisional). The average working capital bank limits utilisation for EC is around 90 percent in the last six months and the current ratio stands average at 1.10 times as on March 31, 2020 (provisional). Acuité believes that the liquidity of EC is likely to remain stretched over the medium term on account of low cash accruals with no major repayments over the medium term.

Rating Sensitivities

- Modest scale of operations with improvement in revenue growth and profitability margins
- Deterioration in working capital management will have a further impact on liquidity

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	23.92	34.53
PAT	Rs. Cr.	0.21	0.92
PAT Margin	(%)	0.88	2.65
Total Debt/Tangible Net Worth	Times	1.55	2.35
PBDIT/Interest	Times	1.79	2.42

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>
- 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-May-2019	Packing Credit	Short Term	10.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Standby Line of Credit	Short Term	2.00	ACUITE A4 (Downgraded from ACUITE A4+)
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	8.30	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.70	ACUITE A4 (Reaffirmed)

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

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About Acuité Ratings & Research:

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