

Press Release

Capshare Impex Private Limited

July 20, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.75 Cr.
Long Term Rating	ACUITE D
Short Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has assigned a rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs.8.75 crore bank facilities of Capshare Impex Private Limited.

Incorporated in 2014, Capshare Impex Private Limited (CIPL) is a Kerala based company. It operates a grinding unit for manufacture of Portland Pozzolana Cement (PPC) on leased facility. It also trades in Ordinary Portland Cement (OPC). The company is promoted and managed by Mr. Shameer Dawood who has around 15 years of experience in cement industry.

Key Rating Drivers

Strengths

Extensive experience of promoters

CIPL's active promoters have experience of more than a decade in the cement industry through other associate entities named Sunpower Cement Private Limited and Caspian Minerals Lab which are engaged in cement manufacturing and trading, respectively. The decade long industry experience of promoters has help CIPL establish longstanding relationships with suppliers and customers and generate repeat orders over the medium term.

Weaknesses

Delays in servicing debt obligations in timely manner

CIPL enjoys cash credit limit of Rs.2.00 crore. CIPL was sanctioned ad-hoc CC limit of Rs.1.75 crore in Mid-November, 2017 for 3 months till Mid-February, 2018. However, there was a delay in regularising the ad-hoc limit; Rs.0.25 crore was paid in May, 2018 and remaining Rs.1.5 crore on June 14, 2018. The account was classified as NPA in May, 2018 and was then classified as standard asset in June, 2018. The delay in regularisation of the account was owing to stretch in liquidity caused by stretched working capital cycle marked by high inventory and debtor days. Gross Current Assets (GCA) as on March, 2018 was 443 days on provisional basis; entailing high inventory and debtor days of 178 days and 230 days, respectively. Acuité believes that improvement in revenue and GCA days along with the modest bank lines of Rs.2.00 crore would remain the key rating sensitivity factor over the medium term.

Modest scale and working capital intensive nature of operations

CIPL's business risk profile remains constrained by its modest scale of operations in the intensely competitive cement industry with revenues of Rs.13.4 crore in FY2018 which is a declined by 55 percent from Rs.28.18 crore in FY2017. The grinding level business is marked by low entry barriers leading to the presence of a large number of unorganised players. CIPL has high working capital

cycle with GCA days of 443 days as on March, 2018 on provisional basis. Because of the intense competition in the cement industry with moderate operating capacity levels, the players have limited pricing and bargaining power leading to moderate operating profitability.

Exposure related to commodity nature of product and cyclical in the cement industry

The capacity addition in the cement industry tends to be sporadic because of long gestation period for setting up of facility and the large number of players adding capacity during the peak of cycle. This has led to unfavourable price cycles in the past. Moreover, profitability remains susceptible to volatility in prices of inputs, including raw material, power, fuel, and freight. Realisations and profitability are also affected by demand, supply, offtake, and other regional factors.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the CIPL to arrive at this rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.94	28.18	23.87
EBITDA	Rs. Cr.	0.47	0.73	0.24
PAT	Rs. Cr.	0.04	0.10	0.16
EBITDA Margin	(%)	3.37	2.60	1.00
PAT Margin	(%)	0.27	0.36	0.69
ROCE	(%)	9.09	19.35	21.12
Total Debt/Tangible Net Worth	Times	21.51	14.19	18.52
PBDIT/Interest	Times	1.25	1.40	3.03
Total Debt/PBDIT	Times	12.08	4.87	8.17
Gross Current Assets (Days)	Days	443	139	68

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.acuite.in/criteria-default.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE D (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE D (Assigned)

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About Acuité Ratings & Research:

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