

Press Release

Capshare Impex Private Limited

July 26, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs.8.75 Cr.
Long Term Rating	ACUITE B-/ Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE D**' (**read as ACUITE D**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE D**' (**read as ACUITE D**) to the Rs.8.75 crore bank facilities of CAPSHARE IMPEX PRIVATE LIMITED (CIPL). The outlook is '**Stable**'.

The rating upgrade is based on regularisation of its overdues in its cash credit account, and regular business operations with no overdrawal for the last three months through June 2019. The ratings also factor in the promoters' presence in the industry for about two decades. However, the rating has been constrained on account of modest scale of operations and weak financial risk profile.

Incorporated in 2014, Capshare Impex Private Limited (CIPL) is a Kerala based company. It grinds Portland Pozzolana Cement (PPC) on leased facility and trades Ordinary Portland Cement (OPC). The company is promoted and managed by Mr. Shameer Dawood who has around two decades of experience in cement industry. It has a grinding unit with installed capacity of 2.16 lakh tons per annum on leased basis where it produces PPC. It trades OPC which contributes around 60 per cent to the revenue.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

CIPL was incorporated in 2014 and was promoted by Mr. Shameer Dawood and Mrs. Razni Shameer who possess about two decades of experience in the cement industry. The promoters are involved in the functional areas of the business, and have established longstanding relationships with suppliers and customers which helped in getting repeat orders from its clientele. The promoters have business interest in glass and oil industry among others. The promoters also operate a PPC manufacturing unit on leased premises under the name of 'Sunpower Cement Company Private Limited' (rated 'ACUITE B-/Stable/ACUITE A4') based out of Kerala. Acuité believes that the same is expected to benefit in improving its business risk profile over the medium term.

Weaknesses

- **Weak financial risk profile**

Financial risk profile of the company is weak marked by high gearing (debt-to-equity), total outside liabilities to total net worth (TOL/TNW) as well as weak debt protection metrics. Gearing and TOL/TNW stood high at 27.24 and 46.79 times as on 31 March, 2019 (provisional) though improved from 32.06 and 87.53 times as on 31 March, 2018, respectively. Net worth is weak at Rs.0.25 crore as on 31 March, 2019 (provisional) as against Rs.0.22 crore as on 31 March, 2018. Of the total debt of Rs.6.83 crore as on 31 March, 2019 (provisional), short term debt constitutes Rs.6.59 crore (CC of Rs.2.00 crore and bills discounted for Rs.4.80 crore), and unsecured loans from promoters of Rs.0.24 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood below-average at 1.57 times and 0.02 times respectively in FY2019 (provisional). The company reported cash accruals of Rs.0.12 crore for FY2019 (provisional). Further, repayment obligations are expected to be nil against annual cash accruals of about Rs.0.25-0.40 crore. Acuité believes that the financial risk profile is expected to improve, however remain weak on account of modest net worth and working capital intensity amid the growing business plans.

- **Working capital intensive operations**

Operations of the company have shown working capital intensive management marked by gross current assets (GCA) of 128 days in FY2019 (provisional) as against 419 days in FY2018 and 139 days in FY2017. Improvement in GCA is owing to improvement in inventory and receivable management. Inventory days stood at 57 in FY2019 (provisional) against 107 in FY2018. The receivable period stood at 18 days for FY2019 (provisional) against 298 days in FY2018. Moderate working capital operations and modest net worth led to high utilisation of its bank lines at about 99 per cent over last six months through June 2019. Also, its current ratio is weak at about 0.81 times as on March 31, 2019 (provisional). Acuité believes that improvement in revenue and GCA days along with modest bank lines of Rs.2.00 crore would remain the key rating sensitivity factor over the medium term.

- **Exposure related to commodity nature of product and cyclicity 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 unfavorable 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.

Liquidity Position:

CIPL has poor liquidity characterised by high bank limit utilisation, and modest accruals. It reported cash accruals of Rs.0.12 crore for FY2019 (provisional). The company does not have any fixed obligations to service; its accruals are expected at about Rs.0.25-0.40 crore for FY2019 (provisional). The operations are managed moderately with GCA of about 128 days in FY2019 (provisional); however, due to weak net worth, its bank lines are highly utilised at about 99 percent through June, 2019. Its current ratio is weak at 0.81 times in FY2019 (provisional). Acuité believes that the liquidity profile of CIPL continues to be at similar levels owing to the growth trajectory.

Outlook: Stable

Acuité believes that CIPL will maintain a 'Stable' outlook in the medium term backed by its promoter's extensive experience. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while sustaining the profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' if there is any stretch in its working capital cycle leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key financials

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	26.49	15.34	28.24
EBITDA	Rs. Cr.	0.65	0.77	0.79
PAT	Rs. Cr.	0.03	(0.05)	0.10
EBITDA Margin	(%)	2.44	5.04	2.81
PAT Margin	(%)	0.10	(0.34)	0.36
ROCE	(%)	7.80	10.56	26.22
Total Debt/Tangible Net Worth	Times	27.24	32.06	19.07
PBDIT/Interest	Times	1.57	1.29	1.40
Total Debt/PBDIT	Times	10.56	9.25	6.59
Gross Current Assets (Days)	Days	128	419	139

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in Trading sector- <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
20-Jul-2018	Cash Credit	Long Term	2.00	ACUITE D (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE D (Assigned)
	Proposed Bank Facility	Long Term	1.75	ACUITE D (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	2.00	ACUITE B-/Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE B-/Stable (Upgraded)

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About Acuité Ratings & Research:

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