

Press Release

Capshare Impex Private Limited

September 30, 2020

Rating Upgraded and Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE B**' (read as **ACUITE B**) from '**ACUITE B-**' (read as **ACUITE B minus**) and has reaffirmed the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.8.75 crore bank facilities of Capshare Impex Private Limited (CIPL). The outlook is '**Stable**'.

Revision in Rating

The rating is upgraded on account of improvement in scale of operations of the company. The operating income of the company stood improved at Rs.30.83 crore in FY2020 (Provisional) as against Rs.27.20 crore in FY2019. The revenues are growing at a compounded annual growth rate of 2.96 percent since 2017. Further, the company has registered revenue of Rs.10.42 crore in 5MFY2021. Further, rating factors in the favorable nature of the cement industry in which the company operates, which is likely to benefit from the increase in infrastructural and construction activities. Acuité believes going ahead the company is likely to sustain its growth over the medium term.

About Company

Capshare Impex Private Limited (CIPL) is a Kerala based company which was incorporated in 2014. The company is engaged in grinding of Portland Pozzolana Cement (PPC) on the 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 the cement industry. Its grinding unit has installed capacity of 1.28 lakh tons per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced Management

CIPL has a presence since 2014 in said line of business. The company is 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 day to day operations. The company has established longstanding relationships with its suppliers and customers, which helped in getting repeat orders from its clientele. The promoters have a 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

• Average financial risk profile

The financial risk profile of the company is marked by low net worth, high gearing (debt-equity) and TOL/TNW and weak debt protection metrics. The tangible net worth of the company stood at Rs.0.30 crore as on 31 March, 2020 (Provisional) as compared to Rs.0.22 crore as on 31 March, 2019. The total debt of Rs.7.12 crore as on 31 March, 2020 (Provisional) consist of short term borrowing of Rs.6.75 crore and unsecured loans from directors of Rs.0.37 crore. The gearing (debt-equity) stood high at 23.59 times as on 31 March, 2020 (Provisional) as compared to 30.97 times as on 31 March, 2019. The Interest Coverage Ratio stood low at 1.32 times for FY2020 (provisional) as against 1.22 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) also stood high at 42.66 times as on 31 March, 2020 (Provisional) as compared to 53.84 times on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) stood low at 0.02 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood weak at 1.24 times in FY2020 (Provisional) as against 1.11 times in FY2019. Acuité believes that the financial risk profile is expected to improve, however, remain average on account of low net worth and intensive working capital.

• **Intensive working capital cycle**

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 132 days in FY2020 (Provisional) and 133 days in FY2019. The receivable days stood at 48 days in FY2020 (Provisional) as against 53 days in FY2019. The inventory days stood moderate at 76 days in FY2020 (Provisional) as against 72 days in FY2019, because of the nature of the business. The creditor days stood at 56 days in FY2020 (Provisional) as against 58 days in FY2019. The average bank limit utilisation stood low at ~87.00 percent for the past eight months ending August 2020. Also, its current ratio is low at about 0.81 times as on March 31, 2020 (provisional).

• **Exposure related to the commodity nature of product and cyclicity in the cement industry**

The capacity addition in the cement industry tends to be sporadic because of the long gestation period for setting up of facility and the large number of players adding capacity during the peak of a 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.

Rating Sensitivities

- Sustaining existing scale of operations while improving profitability.
- Any further elongation of the working capital cycle leading to deterioration in debt protection metrics.
- Stretch in liquidity profile

Material Covenants

None

Liquidity Position: Stretched

CIPL has stretched liquidity marked by high bank limit utilisation, and low net cash accruals. CIPL generated cash accruals of Rs.0.05-0.15 crore during the last three years through 2018-20 as against no maturing debt obligations. The working capital cycle of the company is intensive, marked by Gross Current Assets (GCA) days of 132 days in FY2020 (Provisional) as against 133 days in FY2019. The average bank limit utilisation stood at ~87.00 percent for the past eight months ending August 2020. CIPL maintained low unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2020 (Provisional). The current ratio of CIPL stood lower at 0.88 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of CIPL is likely to remain stretched over the medium term.

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 a significant improvement in its revenues along with improvement in profitability and capital structure. Conversely, the outlook may be revised to 'Negative' if there is any stretch in its working capital cycle leading to the deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	30.83	27.20
PAT	Rs. Cr.	0.08	(0.00)
PAT Margin	(%)	0.26	(0.00)
Total Debt/Tangible Net Worth	Times	23.59	30.97
PBDIT/Interest	Times	1.32	1.22

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
26-July-2019	Cash Credit	Long Term	2.00	ACUITE B-/Stable (Upgraded)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Upgraded)
	Proposed Bank Facility	Long Term	1.75	ACUITE B-/Stable (Upgraded)
20-July-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	4.95	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.07	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.73	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)

Contacts

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About Acuité Ratings & Research:

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