

Press Release

Axis Impex

D-U-N-S® Number: 85-857-3902

March 29, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 10.00 crore bank facilities of AXIS IMPEX (AI). The outlook is '**Stable**'.

Incorporated in 1995, AI is a partnership firm engaged in manufacturing and exports of plastic insulated ware. The day to day operations are managed by its partners, Mr. Velji Shah, Mr. Kanti Shah, Mr. Jitendra Shah and Mr. Rameshchandra Gada. It has manufacturing unit in Vasai at Mumbai (Maharashtra) with an installed capacity of 4000 tonnes per annum. The products are exported to countries such as Middle East, Africa, Europe and Latin America.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of AI to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The partners collectively possess experience of over two decades in consumer goods' industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuite believes that AI will continue to benefit from its experienced management and established relationships with customers.

• Moderate financial risk profile

The financial risk profile is moderate marked by modest net worth, comfortable debt protection measures and high gearing. The net worth of the firm is modest at Rs.5.34 crore as on 31 March, 2018 as against Rs.5.12 crore as on 31 March, 2017. The gearing of the firm stood high at 1.44 times as on March 31, 2018 as against 1.16 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.71 times as on 31 March, 2018 as against 2.48 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 4.29 times in FY2018 as against 4.37 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.26 times as on 31 March, 2018 as against 0.42 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 4.29 times for FY2018 as against 4.37 times in FY2017.

Weaknesses

• Modest scale of operations

The firm has reported decline in revenue growth with compounded annual growth rate (CAGR) of around (6.00) percent through the last three years ended 31 March, 2018. The firm reported decline in revenue by ~15 percent with operating income of Rs.30.63 crore in FY2018 as against operating income of Rs.36.01 crore in FY2017. Further, the operating margins of the company marginally declined to 8.66 percent in FY2018 from 8.93 percent in FY2017.

• Intensive working capital operations

AI has intensive working capital operations marked by high Gross Current Assets (GCA) of 193 days in FY2018 as against 141 days in FY2017. The firm maintains inventory of around 30 to 60 days on an average and extends clean credit of around 90 days to its customers resulting in high GCA days. The inventory and debtor levels stood at 33 and 111 days in FY2018 as against 16 and 87 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~70 to 80 per cent in the last six months.

Liquidity Position

AI has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.2.03 to 2.60 crore during the last three years through 2017 -18. The cash accruals of the firm are estimated to remain around Rs.1.80 to 2.20 crore. The firm's operations are working capital intensive as marked by high gross current asset (GCA) days of 193 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the firm remains utilized at 70 to 80 percent during the last 6 months period ended February, 2019. The firm maintains unencumbered cash and bank balances of Rs.0.15 crore as on March 31, 2018. The current ratio of the firm stands healthy at 1.73 times as on March 31, 2018.

Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term. However, currency fluctuation risk will be key rating sensitivity.

Outlook: Stable

Acuite believes that AI will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in AI's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	30.63	36.01	34.94
EBITDA	Rs. Cr.	2.65	3.22	3.45
PAT	Rs. Cr.	1.24	1.72	1.67
EBITDA Margin	(%)	8.66	8.93	9.89
PAT Margin	(%)	4.05	4.77	4.77
ROCE	(%)	15.43	21.62	43.82
Total Debt/Tangible Net Worth	Times	1.44	1.16	2.17
PBDIT/Interest	Times	4.29	4.37	3.90
Total Debt/PBDIT	Times	2.90	1.83	2.29
Gross Current Assets (Days)	Days	193	141	137

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

None.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

*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	1.50	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+
PCL/FDBD/FDBP/FDBN	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB- / Stable

Contacts

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About Acuite Ratings & Research:

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