

Press Release

Axis Impex

April 08, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.10.00 crore bank facilities of Axis Impex. The outlook is '**Stable**'.

The rating upgrade is driven by the improvement in liquidity position of the firm along with comfortable financial risk profile of the firm. The upgrade also takes into account the stable business risk profile marked by moderate scale of operation and healthy profitability margin during the period.

Incorporated in 1995, Axis Impex is a partnership firm engaged in the manufacture and export of plastic insulated ware with an installed capacity of 4000 tonnes per annum. 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 its manufacturing unit in Vasai at Mumbai (Maharashtra). The products are exported to countries such as Middle East, Africa, Europe and Latin America.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of AI while arriving at the rating.

Key Rating Drivers:

Strengths

Established track record of operation and experienced management

Established in 1995, the firm has a track record of more than 25 years in the consumer goods industry. The partners of the firm Mr. Velji Shah, Mr. Kanti Shah, Mr. Jitendra Shah and Mr. Rameshchandra Gada have a business experience spanning more than 25 years. The firm has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

Comfortable financial risk profile

The financial risk profile of the firm is marked by relatively low net worth, moderate gearing and strong debt protection metrics. The net worth of the firm stood low at Rs.5.76 crore in FY 2020 as compared to Rs. 6.21 crore in FY2019. The reduction in networth is mainly due to the capital withdrawn by the partners during the period. The gearing of the firm stood moderate at 1.75 times as on March 31, 2020 when compared to 1.45 times as on March 31, 2019. Interest coverage ratio (ICR) stood at 4.37 times in FY2020 as against 4.17 times in FY 2019. The debt service coverage ratio (DSCR) of the firm also stood at 4.37 times in FY2020 as compared to 4.13 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.27 times in FY2020 and in FY2019, respectively. Going forward, Acuité believes the financial risk profile of the firm will remain at current comfortable levels backed by no major debt funded capital expenditure plan over the medium term along with steady cash accruals.

Weaknesses

Moderate scale of operation coupled with steady profitability

The turnover levels of the firm stood moderate at Rs.41.63 crore in FY2020 as compared to Rs.38.93 crore in the previous year. Currently, the firm has achieved revenue of Rs.36.00 crore till 28th February, 2021 (Prov.).

The operating profitability margin of the firm have slightly increased and stood at 8.44 per cent in FY2020 as

compared to 8.13 per cent in the previous year. The net profitability margin of the company stood at 3.89 per cent in FY2020 as compared to 4.03 per cent in the previous year.

Working capital intensive nature of operation

The working capital intensive nature of operation of the firm is marked by high gross current asset (GCA) days of 194 days in FY2020 as compared to 182 days in the previous year. The debtor days of the firm stood high at 145 days in FY2020 as compared to 132 days in the previous year. This increase in debtor days during the year end is mainly due to the pandemic induced lockdown. The inventory holding period of the firm stood comfortable at 22 days in FY2020 as compared to 25 days in the previous year. Acuité believes that the ability of the firm to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Deterioration in the capital structure
- Elongation of working capital management

Material Covenant

None

Liquidity Position: Adequate

The firm has adequate liquidity marked by healthy net cash accruals of Rs.2.73 crore as against nil long term debt obligations during FY2020. The cash accruals of the firm are estimated to remain in the range of around Rs. 2.15 crore to Rs. 2.79 crore during 2021-23 as against nil long term debt obligations going forward. The current ratio of the firm stood comfortable at 1.63 times in FY2020. The bank limit of the firm has been ~10 utilized during the last six months ended in February 2021. Moreover, the firm has not availed the covid emergency fund and neither availed the loan moratorium till August 2020. However, the working capital management of the firm is marked by Gross Current Asset (GCA) days of 194 days in FY2020. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals against no long debt repayments over the medium term.

Outlook: Stable

Acuité believes the firm will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established association with customers and suppliers along with comfortable financial risk profile. The outlook may be revised to "Positive" in case the firm registers significant increase in scale of operations while maintaining their profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's scale of operations and profitability or capital structure, or in case of further elongation of working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	41.63	38.93
PAT	Rs. Cr.	1.62	1.57
PAT Margin	(%)	3.89	4.03
Total Debt/Tangible Net Worth	Times	1.75	1.45
PBDIT/Interest	Times	4.37	4.17

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-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
29-Mar-2019	Cash Credit	Long Term	1.50	ACUITE BB-/Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	PCL/FDBD/FDBP/FDBN	Short Term	3.25	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	4.25	ACUITE BB-/Stable (Assigned)

*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	1.50	ACUITE BB/Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)
PCL/FDBD/FD BP/FDBN	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB/Stable (Upgraded)

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About Acuité Ratings & Research:

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