

Press Release

Calcutta Export Company

18 February 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 21.60 Cr.
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the short term rating of '**ACUITE A3' (read as ACUITE A three)**' to the Rs.21.60 crore of bank facilities of Calcutta Export Company (CEC).

CEC a Kolkata based firm was incorporated in 2000 by Mr. Bhagwan Das Agarwal. Currently the firm is promoted by Mr. Bhagwan Das Agarwal, Mrs. Priti Jhunjhunwala and Mrs. Jyoti Gupta. The firm is engaged in manufacturing of iron casting for manhole, pipe fittings, and valve box among others with the installed capacity of 18000 MTPA. The firm has its manufacturing facility located in Howrah, West Bengal.

Analytical Approach:

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

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

CEC a Kolkata based firm was incorporated in 2000 by Mr. Bhagwan Das Agarwal. It. Currently the firm is promoted by Mr. Bhagwan Das Agarwal, who possesses more than two decades of experience in iron casting business specially in manufacturing of manhole, pipe fittings, valve box among others. The other partners Mrs. Priti Jhunjhunwala and Mrs. Jyoti Gupta promoted also have more than a decade experience in aforementioned industry.

Comfortable financial risk profile

The comfortable financial risk profile of the firm is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the firm stands healthy at Rs.19.58 crore in FY2019 as compared to Rs.20.13 crore in FY2018. The deterioration in Networth is mainly due to withdrawing of profit from the business by the partners. The gearing of the firm stands comfortable at 1.18 times as on March 31, 2019 when compared to 1.25 times as on March 31, 2018. The total debt of Rs.23.12 crore in FY2019 is consist short term loan of Rs.21.12 crore, and unsecured loan from ex-partners of Rs.2.00 crore. Interest coverage ratio (ICR) is comfortable and stands at 9.77 times in FY2019 as against 7.15 times in FY 2018. The debt service coverage ratio also stands comfortable at 6.73 times in FY2019 as against of 4.74 times in FY2018. The net cash accrual against total debt (NCA/TD) stands comfortable at 0.35 times in FY 2019 as compared to 0.23 times in previous year.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset days of 131 days in FY2019 as compared to 134 days in FY2018. The inventory days are moderate at 40 days in FY2019 as compared to 33 days in FY2018. The debtor days are also stands moderate at 74 days in FY2019 and 63 days in FY2018 respectively. The GCA days stood high mainly on account of high other current asset of Rs.8.15 crore in FY2019. The other current asset consists of VAT receivables, GST receivables among others.

Modest scale of operation

Though the firm has started operation since 2000, the revenue of the firm stood modest at Rs.132.92 crore in FY2019 as compared to Rs.119.16 crore in FY2018. The firm has earned Rs.77.17 crore till 30th Oct 2019 (Prov.)

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin.
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The firm has adequate liquidity marked by modest net cash accruals of Rs.8.07 crore as against no major debt obligations. The cash accruals of the firm are estimated to remain in the range of around Rs. 9.05 crore to Rs. 11.29 crore during 2020-22 against no repayment obligations. The working capital intensity of the firm is marked by gross current asset days of 131 days in FY2019. The bank limit is 100 per cent utilized by the firm and the firm maintains unencumbered cash and bank balances of Rs. 1.03 crore as on March 31, 2019. The current ratio of the firm stood at 1.53times as on March 31, 2019. Acuite believes that the liquidity of the firm is likely to remain healthy over the medium term on account of healthy cash accruals against no debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	132.92	119.16
PAT	Rs. Cr.	7.65	5.45
PAT Margin	(%)	5.76	4.57
Total Debt/Tangible Net Worth	Times	1.18	1.25
PBDIT/Interest	Times	9.77	7.15

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

CRISIL, vide its press release dated December 18, 2019 had denoted the rating of Calcutta Export Company as 'CRISIL A4+; ISSUER NOT COOPERATING'

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-17.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	Ratings/Outlook
PC/PCFC/FOB/FOU BP	Not Applicable	Not Applicable	Not Applicable	19.60	ACUITE A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)

Contacts:

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>
<p>Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in</p>	

About Acuité Ratings & Research:

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