

Press Release

Calcutta Export Company

August 01, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.60	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	2.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	21.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

About the Company

CEC a Kolkata based firm was formed 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 an installed capacity of 30000 MTPA. The firm has its manufacturing facility located in Howrah, West Bengal.

Analytical Approach

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

Key Rating Drivers

Strengths

Long track record of operation and experienced management-

CEC a Kolkata based firm was incorporated in 2000 by Mr. Bhagwan Das Agarwal. Currently the firm is managed by Mr. Bhagwan Das Agarwal, who possesses more than two decades of experience in iron casting business especially in manufacturing of manhole, pipe fittings, valve box among others. The other partners Mrs. Priti Jhunjhunwala and Mrs. Jyoti Gupta also have more than a decade experience in aforementioned industry. The firm has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

Healthy scale of operation coupled with stable profitability margin-

The revenue of the firm stood healthy at Rs.184.11 crore in FY2022 (Prov.) as compared to Rs.116.76 crore in the previous year. This improvement in revenue is on account of increase in average realization per unit during the period along with increase in volume sales. Going forward, Acuité believes that the revenue of the company will be at a healthy level on account of steady demand of manhole, pipe fittings and valve box due to the thrust in the global market.

The operating profitability margin of the firm has declined to 10.89 per cent in FY2022 (Prov.) as compared to 13.62 per cent in the previous year. This decrease in operating profitability margin is on account of significant increase in raw material price during the period. Acuité believes that the operating profitability margins of the company will be flattish going forward on account of moderation in iron and steel prices globally despite of steady demand and established market presence. The net profitability margin of the firm also stood healthy at 6.72 per cent in FY2022 (Prov.) as compared to 8.10 per cent in the previous year.

Comfortable financial risk profile-

The financial risk profile of the firm is marked by modest net worth, moderate gearing and strong debt protection metrics. The net worth of the firm stood modest at Rs.26.68 crore in FY 2022 (Prov.) as compared to Rs 30.40 crore in FY2021. This slight decrease in networth is mainly due to the withdrawn of capital by the partner during the period. The gearing of the firm stood at 1.44 times as on March 31, 2022 (Prov.) when compared to 0.76 times as on March 31, 2021. This increase in gearing is mainly on account of increase in unsecured loan during the period. Interest coverage ratio (ICR) is strong and stood at 28.08 times in FY2022 (Prov.) as against 18.71 times in FY2021. The debt service coverage ratio (DSCR) of the firm has also stood strong at 18.08 times in FY2022 (Prov.) as compared to 12.21 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.33 times in FY2022 (Prov.) as compared to 0.42 times in the previous year. Going forward, Acuité believes the financial risk profile of the firm will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Working capital intensive nature of operation –

The working capital management of the firm is marked by high gross current asset (GCA) days of 161 days in FY2022 (Prov.) as compared to 178 days in FY2021. The debtor days of the firm stood high at 101 days in FY2022 (Prov.) as compared to 102 days in the previous year. The inventory days of the firm stood moderate at 53 days in FY2022 (Prov.) as compared to 57 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.

Intense competition and inherent cyclicity in the iron & steel industry

The iron & steel industry is highly fragmented and unorganised. The firm is exposed to intense competitive pressure from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the iron & steel industry.

Rating Sensitivities

- Sustenance in revenue growth while maintaining their profitability margin
- Deterioration in the capital structure
- Further elongation of working capital

Material covenants

None

Liquidity Position

Adequate

The firm has moderate liquidity position marked by comfortable net cash accruals of Rs.12.73 crore as against nil long term debt obligations in FY2022 (Prov.). The cash accruals of the firm are estimated to remain in the range of around Rs. 8.71 crore to Rs. 9.80 crore during 2023- 24 as against nil long term debt obligations respectively. The current ratio of the firm stood comfortable at 1.91 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the firm stood high at 161 days in FY2022 (Prov.). The bank limit of the firm has been fully utilized during the last six months ended in June 2022. Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	184.11	116.76
PAT	Rs. Cr.	12.37	9.46
PAT Margin	(%)	6.72	8.10
Total Debt/Tangible Net Worth	Times	1.44	0.76
PBDIT/Interest	Times	28.08	18.71

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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 May 2021	Packing Credit	Short Term	19.60	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
18 Feb 2020	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Packing Credit	Short Term	19.60	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	19.60	ACUITE A3 Reaffirmed

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in</p> <p>Abhishek Dey Senior Analyst-Rating Operations Tel: 022-49294065 abhishek.dey@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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