



Press Release
Calcutta Export Company
October 30, 2023
Rating Reaffirmed

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

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).

Rationale for Rating Reaffirmation

The rating reaffirmation considers CEC's stable operating and financial performance. The operating revenue stood at Rs.194.93 Cr in FY2023 against Rs.184.11 Cr in FY2022. The growth in revenues is led by higher price realisations. The volumes declined by around 10% during the year. Also, significant moderation in operating income is expected in FY2024 due to anticipated lower volumes from its major customer (contributing to around 85-92% in revenue). The rating also remains constrained due to customer concentration risk and moderately intensive nature of working capital operations.

However, the financial risk profile of the firm continues to remain comfortable with healthy net-worth, low gearing levels and robust debt protection metrics.

Going ahead, in view of expected moderation in revenues, CEC's ability to maintain its comfortable financial risk profile, restrict any significant elongation in working capital operations will remain a key rating sensitivity.

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.

Unsupported Rating

None

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 industry. 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 healthy marked by healthy net worth, comfortable gearing, and robust debt protection metrics. The net worth of the firm stood at Rs.37.23 Cr in FY 2023 as compared to Rs.29.36 Cr in FY2022. The increase in net-worth is net effect of accretion to reserves and withdrawal of capital by partners. The gearing of the firm stood at 0.55 times as on March 31, 2023, compared to 0.74 times as on March 31, 2022. Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) moderated albeit stood strong at 23.08 times and 15.15 in FY2023 as compared to 27.37 times 18.13 times in FY2022 respectively. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.92 times in FY2023 as compared to 0.65 times in the previous year.

Going forward, Acuite believes the financial risk profile of the firm will remain comfortable in absence of any debt-funded capex over the medium term.

Weaknesses

Moderately intensive working capital operations

The working capital management of the firm is moderately intensive. The GCA days declined to 126 days in FY2023 against 167 days in FY2022. The debtor days of the firm stood at 63 days in FY2023 as compared to 101 days in the previous year. The inventory days of the firm stood moderate at 39 days in FY2023 as compared to 54 days in the previous year.

Acuite 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.

Partnership nature of business

The firm is exposed to risk of capital withdrawal considering its partnership nature of constitution of the business. There have been instances in past for capital withdrawal, but the promoters have maintained the funds required for operations of the business. Acuite believes, the management will maintain the capital required for proper functioning of the business.

Customer concentration risk

The firm is also susceptible to customer concentration risk as on an average ~85-92% percent of the firm's revenue is generated through sales to one US based customer. However, the firm is taking initiative to diversify its customer base.

Acuite believes that the ability of EGPL to expand its customer base in order to mitigate the revenue concentration risk will remain a key rating sensitivity factor.

Rating Sensitivities

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

All Covenants

Not Applicable

Liquidity Position Adequate

The firm has adequate liquidity position marked by comfortable net cash accruals of Rs.18.75 crore as against nil maturing debt repayment obligations. The cash accruals of the firm are estimated to remain in the range of around Rs. 8.61 crore to Rs. 11.08 crore during 2023-25 as

against nil long term debt repayment obligations respectively. The current ratio of the firm stood comfortable at 1.68 times in FY2023. The Gross Current Asset (GCA) days of the firm stood moderately high at 125 days in FY2023. Bank limits utilization is moderate at 62% during the last 5 months ending August 2023. The liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accruals against nil debt repayments obligations over the medium term.

Outlook:

Not Applicable

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	194.93	184.11
PAT	Rs. Cr.	18.25	13.68
PAT Margin	(%)	9.36	7.43
Total Debt/Tangible Net Worth	Times	0.55	0.74
PBDIT/Interest	Times	23.03	27.37

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Aug 2022	Packing Credit	Short Term	19.60	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	19.60	ACUITE A3 Reaffirmed

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About Acuité Ratings & Research

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