

Rating Advisory

December 21, 2022 | Mumbai

ABM International Limited

Update as on December 21, 2022

This rating advisory is provided in relation to the rating of ABM International Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Sustained increase in operating income by 20%, and improvement in the operating margin
- Diversification in product profile

Downward factors

- Negative cash accrual over the medium term
- Stretch in the working capital cycle, with gross current assets above 80 days

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from ABM International Limited (ABM) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If ABM continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Incorporated in 1965 by the promoter, Mr V K Gandhi, ABM imports PVC resin, polypropylene and high-density polyethylene. The company is based in New Delhi.

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Rating Rationale

April 18, 2022 | Mumbai

ABM International Limited

Ratings migrated to 'CRISIL BB-/Stable/CRISIL A4+'

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore
Long Term Rating^{&}	CRISIL BB-/Stable (Migrated from 'CRISIL B/Stable ISSUER NOT COOPERATING*')
Short Term Rating[^]	CRISIL A4+ (Migrated from 'CRISIL A4 ISSUER NOT COOPERATING*')

[&] *Issuer did not cooperate; based on best-available information

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Due to inadequate information and in line with the Securities and Exchange Board of India guidelines, CRISIL Ratings had migrated its ratings on the bank facilities of ABM International Limited (ABM) to 'CRISIL B/Stable/CRISIL A4 Issuer Not Cooperating'. However, the management has started sharing the information necessary for a comprehensive review of the ratings. Consequently, CRISIL Ratings has migrated the ratings to '**CRISIL BB-/Stable/CRISIL A4+**'.

The ratings continue to reflect the extensive experience of the promoters in the polyvinyl chloride (PVC) resin industry, and the company's established customer base and above-average financial risk profile.

These strengths are partially offset by ABM's modest scale of operations amidst intense competition and vulnerability to volatility in raw material prices.

Key Rating Drivers & Detailed Description

Strengths

Extensive experience of the promoters in the PVC resin industry and established customer base: The Gandhi family has experience of more than three decades in the PVC resin industry, resulting in healthy relationships with customers and suppliers, which will continue to support the business risk profile. The company caters to demand from both distributors and end-users, such as Finolex Industries Ltd, Responsive Industries Ltd, Kisan Irrigation Ltd and Action Footwear Pvt Ltd.

Above-average financial risk profile: The total outside liabilities to tangible networth ratio was low at 0.34 time as on March 31, 2021. With no long-term debt and bulk of the borrowing being short-term in nature, there is adequate financial flexibility. Internal cash accrual can be used solely to fund working capital expenses.

Weaknesses

Modest scale of operations amidst intense competition: Intense competition in the PVC resin industry restricts scalability of operations, as reflected in revenue of Rs 128.62 crore in fiscal 2021 and limits the bargaining power of the company with suppliers and customers.

Low operating profitability, susceptibility to volatility in raw material prices and foreign exchange (forex) rates: Profitability remains vulnerable to volatility in raw material prices and forex rates. As a result, operating margin of 8.6% was reported in fiscal 2021. Operating margin is estimated to be 2.15% in fiscal 2022.

Liquidity: Adequate

Cash accrual is expected to be Rs 3.12 crore in fiscal 2022, against nil term debt obligation over the medium term. Current ratio was healthy at 3.86 times as on March 31, 2021. Low gearing and moderate networth support the company's financial

flexibility and provide the financial cushion required in case of any adverse conditions or downturn in the business. The company has unutilised bank limit.

Outlook: Stable

CRISIL Ratings believes ABM will continue to benefit from the extensive experience of its promoters in the polymer trading business and their established relationships with suppliers.

Rating Sensitivity Factors

Upward factors

- Sustained increase in operating income by 20%, and improvement in the operating margin
- Diversification in product profile

Downward factors

- Negative cash accrual over the medium term
- Stretch in the working capital cycle, with gross current assets above 80 days

About the Company

Incorporated in 1965 by the promoter, Mr V K Gandhi, ABM imports PVC resin, polypropylene and high-density polyethylene. The company is based in New Delhi.

Key Financial Indicators

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs crore	128.62	97.71
Reported profit after tax (PAT)	Rs crore	10.17	-4.10
PAT margin	%	7.90	-4.89
Adjusted debt/adjusted networkth	Times	0.00	0.00
Interest coverage	Times	145.78	-6.29

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Letter of Credit	NA	NA	NA	33	NA	CRISIL A4+
NA	Overdraft Facility	NA	NA	NA	2	NA	CRISIL BB-/Stable
NA	Proposed Non Fund based limits	NA	NA	NA	15	NA	CRISIL A4+

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	2.0	CRISIL BB-/Stable	31-03-22	CRISIL A4 / CRISIL B /Stable(Issuer Not Cooperating)*		--	07-12-20	CRISIL B/Stable / CRISIL A4	25-10-19	CRISIL B/Stable / CRISIL A4	CRISIL B/Stable / CRISIL A4
Non-Fund Based Facilities	ST	48.0	CRISIL A4+	31-03-22	CRISIL A4 (Issuer Not Cooperating)*		--	07-12-20	CRISIL A4	25-10-19	CRISIL A4	CRISIL A4

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating

Letter of Credit	33	CRISIL A4+
Overdraft Facility	2	CRISIL BB-/Stable
Proposed Non Fund based limits	15	CRISIL A4+

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Criteria for rating trading companies
Rating Criteria for Chemical Industry
Rating Criteria for Retailing Industry
CRISILs Criteria for rating short term debt

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