

## Rating Advisory

March 23, 2022 | Mumbai

### ABM International Limited

**Update as on March 23, 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**

- \* Cash accrual of over Rs 2 crore on a sustainable basis over the medium term
- \* Diversification in product profile

#### **Downward factors**

- \* Negative cash accrual generation over the medium term
- \* Debt-funded capital expenditure leading to deterioration in the capital structure
- \* Stretch in the working capital cycle.

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](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

December 07, 2020 | Mumbai

### ABM International Limited

*Ratings Reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.50 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL B/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A4 (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL B/Stable/CRISIL A4' ratings on the bank facilities of ABM International Limited (ABM).

The ratings continue to reflect ABM's modest scale of operations amidst intense competition, and vulnerability to volatility in raw material prices and foreign exchange (forex) rates. These weaknesses are partially offset by the extensive experience of the promoters in the polyvinyl chloride (PVC) resin industry and established customer base, moderate working capital requirement and above-average financial risk profile.

#### Key Rating Drivers & Detailed Description

##### **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 97.71 crore reported in fiscal 2020, and limits the bargaining power of the company with suppliers and customers.

\* **Low operating profitability, susceptibility to volatility in raw material prices and forex rates:** Profitability remains vulnerable to volatility in raw material prices and forex rates. As a result, operating margin of negative 2.4% was reported in fiscal 2020.

##### **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.

\* **Moderate working capital requirement:** Operations are managed efficiently, as reflected in gross current assets of 75 days as on March 31, 2020, led by receivables and inventory of 16 and 39 days, respectively.

\* **Above-average financial risk profile:** The total outside liabilities to tangible networth ratio was estimated to be low at 1.77 times as on March 31, 2020. 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.

#### Liquidity Poor

Cash accrual is expected to be Rs 2.5 crore in fiscal 2021, against nil term debt obligation over the medium term. Current ratio was healthy at 1.48 times as on March 31, 2020. Moderate unencumbered cash and bank balance was Rs 2.5 crore as on March 31, 2020. Low gearing and moderate networth support the company's financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Because of the accumulated losses in the last three years, ABM's management is writing down 20% of its paid-up equity capital, which will be adjusted against the debit balance in reserves and surplus account. Since this is purely an accounting event and does not involve outflow of any cash, there will be no impact on the liquidity profile of ABM.

**Outlook: Stable**

CRISIL 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**

- \* Cash accrual of over Rs 2 crore on a sustainable basis over the medium term
- \* Diversification in product profile

**Downward factors**

- \* Negative cash accrual generation over the medium term
- \* Debt-funded capital expenditure leading to deterioration in the capital structure
- \* Stretch in the working capital cycle.

**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	2020	2019
Operating income	Rs crore	97.7	77.4
Reported profit after tax (PAT)	Rs crore	-4.8	-1.8
PAT margin	%	-4.9	-2.3
Adjusted debt/adjusted network	Times	0.0	0.0
Interest coverage	Times	-6.8	-4.3

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels).

**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	40	NA	CRISIL A4
NA	Proposed Short Term Bank Loan Facility	NA	NA	NA	8	NA	CRISIL A4
NA	Bill Discounting	NA	NA	NA	2	NA	CRISIL B/Stable

**Annexure - Rating History for last 3 Years**

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	10.00	CRISIL B/Stable/CRISIL A4			25-10-19	CRISIL B/Stable/CRISIL A4	30-07-18	CRISIL B/Stable/CRISIL A4	27-07-17	CRISIL A4	CRISIL A4
Non Fund-based Bank Facilities	LT/ST	40.00	CRISIL A4			25-10-19	CRISIL A4	30-07-18	CRISIL A4	27-07-17	CRISIL A4	CRISIL A4

All amounts are in Rs.Cr.

**Annexure - Details of various bank facilities**

Current facilities	Previous facilities

Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bill Discounting	2	CRISIL B/Stable	Bill Discounting	2	CRISIL B/Stable
Letter of Credit	40	CRISIL A4	Letter of Credit	40	CRISIL A4
Proposed Short Term Bank Loan Facility	8	CRISIL A4	Proposed Short Term Bank Loan Facility	8	CRISIL A4
<b>Total</b>	<b>50</b>	<b>--</b>	<b>Total</b>	<b>50</b>	<b>--</b>

Links to related criteria
<a href="#">CRISILs Approach to Financial Ratios</a>
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