

## **Rating Advisory**

April 18, 2019 | Mumbai

Advisory as on April 18, 2019

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

CRISIL vide its publication dated March 25, 2019 highlighted the aspect of non-co-operation by ABM International Limited.

ABM International Limited has now initiated cooperation, has confirmed timeliness in debt servicing for March 2019 and has also provided 'No Default Statement' dated April 01, 2019.

You may access the Rating Rationale as appended below.

## Rating Rationale

July 30, 2018 | Mumbai

### ABM International Limited

*Rating reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.50 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL B/Stable (Reassigned)</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 rating on the short term bank facilities of ABM International Limited (ABM) at 'CRISIL A4' while assigning the rating at '**CRISIL B/Stable**' on the long term bank loan facility.

The rating continues to reflect ABM's modest scale of operations in a competitive industry, moderate working capital requirement, and vulnerability to volatility in raw material prices and fluctuations in foreign exchange (forex) rates. These weaknesses are partially offset by the extensive experience of promoters and established customer base, no term debt obligation, and above average financial risk profile.

## Key Rating Drivers & Detailed Description

### Weakness

#### \* Modest scale of operations in a competitive industry:

Scale is modest as reflected in revenue estimated at Rs 88.6 crore for fiscal 2018. Modest scale limits bargaining power with suppliers as well as customers.

#### \* Moderate working capital requirement:

Working capital requirement is moderate, as reflected in estimated gross current assets (GCAs) of 84 days as on March 31, 2018, because of receivables at 42 days. CRISIL believes working capital requirement will remain at similar levels over the medium term.

#### \* Low operating profitability and vulnerability to volatility in raw material prices and fluctuations in foreign exchange (forex) rates:

ABMIL remains vulnerable to foreign currency risk and registered operating margin of 0.7 percent in 2017-18. Operating margins are expected to remain at similar level over the medium term.

### Strength

#### \* Extensive experience of promoters in polyvinyl (PVC) resin industry and established customer base:

The Gandhi family has been associated with the PVC resin industry for more than three decades. As a result, ABMIL has established healthy relationships with its customers and suppliers. Its customers include a mix of end users as well as distributors. Some of the end users include Finolex Industries Ltd, Responsive Industries Ltd, Kisan Irrigation Ltd, and Action Footwear Pvt Ltd. Extensive industry experience of promoters should help maintain the business risk profile over the medium term.

#### \* No long-term debt obligation:

With nil long-term debt, most of the debt is short-term in nature. This enhances the financial flexibility. CRISIL believes accrual generated by ABM will solely be utilised to meet working capital requirement.

#### \* Above average financial risk profile:

Financial risk profile is expected to remain above average, with estimated low total outside liabilities to tangible networth ratio of 0.81 times as on March 31, 2018, and above average debt protection metrics as reflected in interest coverage and net cash accrual to total debt ratios of 4.30 times and 0.02 time, respectively, in fiscal 2018.

### Outlook: Stable

CRISIL believes that ABM will benefit from its promoter's extensive experience in polymer trading business and established relations with suppliers. The outlook may be revised to 'Positive' if there is a sustained and substantial increase in scale of operations and profitability leading to improvement in cash accruals and financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm reports lower than expected accruals due to decline in revenues or profitability level, or if the company's working capital requirement deteriorates leading to deterioration in liquidity profile of the firm or if the firm undertakes any debt funded capex.

### About the Company

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

### Key Financial Indicators

Particulars	Unit	2017*	2016
Revenue	Rs Cr.	140.67	108.22
Profit After Tax (PAT)	Rs Cr.	0.62	0.76
PAT Margin	%	0.5	0.6
Adjusted Debt/Adjusted Networth	Times	0.02	NA
Interest coverage	Times	2.8	4.5

\*Provisional

**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. Cr)	Rating Assigned with Outlook
NA	Letter of Credit	NA	NA	NA	40	CRISIL A4
NA	Proposed Short Term Bank Loan Facility	NA	NA	NA	8	CRISIL A4
NA	Bill Discounting	NA	NA	NA	2	CRISIL B/Stable

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/S T	10.00	CRISIL B/Stable/ CRISIL A4			27-07-17	CRISIL A4	20-04-16	CRISIL A4			CRISIL A4
Non Fund-based Bank Facilities	LT/S T	40.00	CRISIL A4			27-07-17	CRISIL A4	20-04-16	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	Letter of Credit	40	CRISIL A4
Letter of Credit	40	CRISIL A4	Proposed Short Term Bank Loan Facility	10	CRISIL A4
Proposed Short Term Bank Loan Facility	8	CRISIL A4	--	0	--
<b>Total</b>	<b>50</b>	<b>--</b>	<b>Total</b>	<b>50</b>	<b>--</b>

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Chemical Industry](#)

[Rating Criteria for Retailing Industry](#)

[CRISILs Criteria for rating short term debt](#)

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