



Rating Rationale

Allied Exim

4 May 2018

Brickwork Ratings assigns ratings for the short term bank loan facilities of Allied Exim.

Particulars

Facility Rated	Current Review Amount (Rs. Crs)	Tenure	Rating
<u>Fund Based</u> Packing Credit	12.00	Short Term	BWR A4+ (Pronounced as BWR Single A Four Plus)
Post Shipment (LC/Non LC)	20.00		
(Advance against collection)	(3.80)		
<u>Non Fund Based</u> ILC/FLC/Buyer's Credit	7.00		
Total	Rs. 39.00 Crores (INR Thirty Nine Crores Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Short term rating of BWR A4+ assigned.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the rating for **Allied Exim** (AE or 'the Firm'), a Kanpur based manufacturer of leather products, BWR has factored in the scale of operations, net worth, conversion cycle and receivables status, solvency ratios, profit margins and debt protection metrics. The assigned rating draws comfort from the experienced partners, moderate tangible net worth, diversified product offerings, besides strong profitability margins. The rating is, however, constrained by its declining top line over the past 3 years, presence in a highly regulated & fragmented industry and non- hedging of forex exposure, which may adversely affect profitability margins in the future volatility in forex rates.

Key Rating Strengths

- **Diversified product offering:** The Firm manufactures leather goods such as finished leather, having application in furniture, shoes upper and saddlery.

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- **Moderate Tangible Net Worth:** The Firm has moderate TNW of Rs 11.70 Cr in FY17 which declined marginally from Rs.11.73 Cr in FY16.
- **Improving profitability margins:** The Firm has shown consistent improvement in operating profitability margins over the past three years. The margins have improved from 7.21% in FY15 to 7.36% in FY16 to 7.38% in FY17.
- **Experienced partners:** All six partners have been in this business for more than a decade.

Key Rating Weaknesses

- **Declining Sales Trend:** Declining sales trend over the last three years; sales declined by 19.60% to Rs.74.10 Cr in FY16 and further declined by 8% to Rs.68.18 Cr in FY17 owing to decline in rates of leather besides lower demand owing to competition from the USA and Brazil. The Firm has achieved operating revenues of Rs.75.32Cr in FY18 (provisional unaudited data).
- **No hedging being practiced :** The Firm does not hedge its forex exposure which may affect their future profitability margins in the event of any volatility in forex rates.
- **Inherent Risks associated with partnership concern and presence in highly regulated and competitive sector.**

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

Rating Outlook: Stable

BWR believes the **Allied Exim's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Kanpur based **Allied Exim** was set up in 1993 as family partnership firm having six partners, Mr. Akhtar Qaiyum, Mr. Arshad Qaiyum, Mr. Rafad Qaiyum, Mr. Irshat Qaiyum, Mr. Sarwat Qaiyum and Mr. Farhat Qaiyum. The Firm has its registered office at Jajmau, Kanpur (Uttar Pradesh) . It is engaged in manufacturing of leather products such as finished leather, shoe upper and saddlery which are exported to European countries. It generally procures raw leather and chemicals locally.



Company's Financial Performance

Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Net Sales/Revenue	Crores	74.10	68.18
EBIDTA	Crores	4.23	3.82
PAT	Crores	0.50	0.56
TNW	Crores	11.73	11.70
TOL : TNW ratio	Times	4.12	4.60
Current Ratio	Times	1.10	1.08

Total operating income of the company has declined from Rs.74.10 Cr in FY16 to Rs 64.18 Cr in FY17 and PAT has improved from Rs.0.50 Cr in FY16 to Rs 0.56 Cr in FY17.

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY2018)			Rating History		
		Type	Amount (Rs Cr)	Rating	FY2017	FY2016	FY2015
1.	Fund Based Packing Credit	Short Term	12.00	BWR A4+ (Pronounced as BWR Single A Four Plus)	NA	NA	NA
	Post Shipment (LC/Non LC)		20.00				
	(Advance against collection)		(3.80)				
2.	Non Fund Based ILC/FLC/Buyer's Credit		7.00				
	Total		Rs. 39.00 Crores (INR Thirty Nine Crores Only)				

FY refers to the period from 1st April to 31st March each year

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL



Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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