

## Ahuja Impex Private Limited

January 08, 2019

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	5.00	<b>CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information
Short-term Bank Facilities	10.00	<b>CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information
<b>Total Facilities</b>	<b>15.00 (Rupees Fifteen crore only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Ahuja Impex Private Limited to monitor the rating(s) vide e-mail communications/ letters dated December 14, 2018, December 11, 2018, December 4, 2018, November 20, 2018, October 23, 2018, October 4, 2018, etc. and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Ahuja Impex Private Limited's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings take into account the constraints relating to company's small scale of operations, low profitability margins, leveraged capital structure, weak debt service coverage indicators and elongated operating cycle. The ratings are further constrained by foreign exchange fluctuation risk and highly fragmented nature of industry characterized by intense competition. The ratings, however, draws comfort from experienced promoters coupled with long track record of operations, association with reputed customer base along with growing scale of operations.

### Detailed description of the key rating drivers

*At the time of last rating on January 22, 2018, the following were the rating strengths and weaknesses:*

*(Updated for the information available from the Registrar of Companies).*

#### Key Rating Weaknesses

**Small scale of operations:** AIPL's scale of operations has remained small marked by total operating income and gross cash accruals of Rs.35.75 crore and Rs.0.23 crore, respectively, during FY18 (refers to the period April 1 to March 31). Furthermore, the net worth base also stood small at Rs.3.71 crore as on March 31, 2018. The small scale of operations limits the company's financial flexibility in times of stress and deprives it of scale benefits.

**Low profitability margins, leveraged capital structure and weak debt service coverage indicators:** The profitability margins of the company have been historically on the lower side for past three financial years (FY16-FY18) owing to trading nature of the business and intense market competition given the highly fragmented nature of the industry. Further, high interest burden on its bank borrowings also restricts the net profitability of the company. Thus, the PBILDT and PAT margin of the company stood at 2.06% and 0.40% respectively, in FY18. The capital structure of the company stood leveraged on past three balance sheet dates ending March 31, '16-'18 on account of high dependence on working capital borrowings to meet its working capital requirements. Overall gearing stood at 2.08x as on March 31, 2018 showing improvement from 2.99x as on March 31, 2017 mainly on account of lower utilization of working capital borrowings as on balance sheet date. Further, debt service coverage indicators as marked by interest coverage and total debt to GCA stood weak for the past three financial years (FY16-FY18) owing to high debt levels and low profitability position. Interest coverage ratio and total debt to GCA stood at 1.64x and 34.25x during FY18.

**Elongated operating cycle:** The company has elongated operating cycle on account of high collection period. The company is required to maintain adequate inventory of traded goods of around one month to cater the immediate

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

demand of the customers resulting in inventory holding period of around 13 days during FY18. Further, being present in a highly competitive business and having low bargaining power with its customers, the company normally extends credit period of around 3-4 months to its customers. However, the company procures the traded products majorly on cash and advance basis with maximum credit period received from its supplier stood around one month. The fund-based working capital borrowings of the company remained 80% utilized during the past 12 months ending November, 2018.

**Foreign exchange fluctuation risk:** The company is mainly sourcing its petroleum products requirement through imports from gulf countries like United Arab Emirates, Saudi Arabia, Iran, etc. The traded products are completely sold in the domestic market. With initial cash outlay for procurement in foreign currency and significant chunk of sales realization in domestic currency, the company is exposed to the fluctuation in exchange rates which the company does not hedge.

**Highly fragmented nature of industry characterized by intense competition:** The spectrum of the trading industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability. Moreover, the value addition is low on account of trading nature of business operations which further impacts the profitability margins.

### Key Rating Strengths

**Experienced promoters coupled with long track record of operations:** AIPL is a family run business. Mr. Krishan Kumar Ahuja and Mr. Abhishek Ahuja are the directors of AIPL and they collectively look after the overall operations of the company. Mr. Krishan Kumar Ahuja has accumulated experience of more than two decades in trading industry through his association with this entity and other associate concern. He is ably supported by Mr. Abhishek Ahuja, who is a post graduate and holds one and half decade of experience in this business through his association with this entity. AIPL has been operating in this business for more than two decades, which aid in establishing a healthy relationship with both customers and suppliers.

**Association with reputed customer base:** AIPL has been operational for more than two decades and has been able to establish healthy relationship with its customers. Over these years the company has established business relationship with reputed companies. Association with reputed customer base ensures timely realization of receivables.

**Growing scale of operations:** AIPL's scale of operations has been growing continuously on y-o-y basis in last 3 financial years (FY16-FY18) and AIPL's total operating income stood at Rs.35.75 crore in FY18.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)  
[Criteria on assigning Outlook to Credit Ratings](#)  
[CARE's Policy on Default Recognition](#)  
[Criteria for Short Term Instruments](#)  
[CARE's rating methodology for wholesale trading companies](#)  
[Financial ratios – Non-Financial Sector](#)

### About the Company

Delhi based Ahuja Impex Private Limited (AIPL) was incorporated in January, 1996 and is currently being managed by Mr. Krishan Kumar Ahuja and Mr. Abhishek Ahuja. The company is engaged in the trading of varied range of petroleum products such as base oil, bitumen, lubricating oil, virgin oil, grease, residue wax, slack wax, etc. The company procures the traded products from gulf countries like United Arab Emirates, Saudi Arabia, Iran, etc. and selling its products to industrial oil manufacturers & refineries, construction companies and dealers. "Delhi Paints & Oil Traders" is group associate and engaged in the trading of lubricants.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	35.15	35.75
PBILD	0.91	0.74
PAT	0.13	0.14
Overall gearing (times)	2.99	2.08
Interest coverage (times)	1.50	1.64

A: Audited

**Status of non-cooperation with previous CRA:** Brickwork Ratings has conducted the review and has classified Ahuja Impex Private Limited as “Not Cooperating” vide its press release dated February 16, 2018.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

#### **About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### **Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

#### **Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based/Non-fund-based-Short Term	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not cooperate; Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB; Stable (22-Jan-18)	-	-
2.	Fund-based/Non-fund-based-Short Term	ST	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (22-Jan-18)	-	-

\*Issuer did not cooperate; Based on best available information

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