

## Press Release

### New Man Exports

December 05, 2019

### Rating upgraded



<b>Total Bank Facilities Rated*</b>	Rs.8.25 Cr.
<b>Long Term Rating</b>	ACUITE B-/ Outlook: Stable (Upgraded from ACUITE D)
<b>Short Term Rating</b>	ACUITE A4 (Upgraded from ACUITE D)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE D**' (read as **ACUITE D**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) to the Rs.8.25 crore bank facilities of New Man Exports (NME). The outlook is '**Stable**'.

The upgrade is on account of timely servicing of the debt repayment obligation and curing of the default.

Tirupur - Tamil Nadu based, New Man Exports (NME) is a partnership firm established in 2000. The company is engaged in stitching and selling of garments. The firm procures yarn from local suppliers, manufactures garments and sells in the domestic as well as international market.

### Analytical Approach

Acuité has considered standalone business and financial risk profile of NME to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Established presence of the promoters in logistic industry**

NME was promoted by Mr. C. Ramasamy and Mr. R. Arun, partners, who possess around a decades experience in the textile industry. The long-standing presence of the promoters has resulted in establishing healthy relationship with customers and suppliers.

Acuité believes that the long track record of operations and extensive experience of the management will support the business risk profile of the company.

#### Weaknesses

- **Weak financial risk profile**

NME has weak financial risk profile marked by low tangible net worth of Rs.3.87 crore as on March 31, 2019 as against Rs.3.61 crore as on March 31, 2018. The gearing stands high at 1.97 times as on March 31, 2019 as against 2.16 times as on March 31, 2018. The total debt of Rs.7.63 crore outstanding as on March 31, 2019 comprises long-term loans from Banks worth Rs.0.79 crore and working capital facility of Rs.6.84 crore from the bank. The Interest Coverage Ratio (ICR) stood at 1.08 times in FY2018 against 1.02 times in FY2018. The net cash accruals stands at Rs.0.09 crore in FY2019 as compared to Rs.0.02 crore in FY2018. The Net Cash Accrual to Total Debt (NCA/TD) remained low at 0.01 times in FY2019. The financial risk profile is expected to remain weak on account of lower networth and profitability margin.

- **Highly fragmented and competitive industry**

NME operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganized sector limits the bargaining power with customers.

- **Working capital intensive operations**

NME has working capital intensive operations marked by GCA of 465 days as on March 31, 2019 on account of high inventory days of 278 days. The high debtor days are supported by high creditor days of 264 as on March 31, 2019. The cash credit utilization stands at 90 percent over the last six months ended Oct 2019.

**Rating Sensitivities:**

- Improvement in revenue and profitability margins.
- Debt funded capex leading to deterioration in financial risk profile.
- Elongation in working capital cycle affecting its liquidity position.

**Material Covenants**

None

**Liquidity Position:**

NME has stretched liquidity marked by net cash accruals of Rs.0.14-0.02 crore over the last three years through FY2019 vis-à-vis debt obligation of ~Rs.0.08 crore during the same period. The company has been regular in servicing its debt obligations over the last three months ended October 2019. The Cash Credit facility has remained 90% utilized over the last three months ended Oct 2019. The current ratio stood at 1.29 times as on as on March 31, 2019. The company has maintained unencumbered cash and bank balance of Rs.1.20 crore as on March 31, 2019.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	13.59	13.44	18.92
EBITDA	Rs. Cr.	1.18	1.21	1.30
PAT	Rs. Cr.	0.00	(0.10)	0.02
EBITDA Margin	(%)	8.71	9.02	6.88
PAT Margin	(%)	0.03	(0.75)	0.11
ROCE	(%)	9.63	9.02	9.74
Total Debt/Tangible Net Worth	Times	1.97	2.16	2.24
PBDIT/Interest	Times	1.08	1.02	1.12
Total Debt/PBDIT	Times	6.43	6.43	6.80
Gross Current Assets (Days)	Days	465	461	317

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

None

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>

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

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10- Jun-2019	Open Cash Credit	Long Term	6.75	ACUITE D (Downgraded from ACUITE B/Stable) Issuer not co-operating*
	Proposed Term Loans	Long Term	1.00	ACUITE D (Downgraded from ACUITE B/Stable) Issuer not co-operating*
	FDBP/FUBD	Short Term	0.50	ACUITE D (Downgraded from ACUITE A4) Issuer not co-operating*

04- Apr-2018	Open Cash Credit	Long Term	6.75	ACUITE B/Stable (Reaffirmed)
	Proposed Term Loans	Long Term	1.00	ACUITE B/Stable (Reaffirmed)
	FDBP/FUBD	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Letter of credit	Short Term	0.75	ACUITE A4 (Withdrawn)
29-Mar-2017	Open Cash Credit	Long Term	6.75	ACUITE B/ Stable (Assigned)
	Proposed Term Loans	Long Term	1.00	ACUITE B/ Stable (Assigned)
	FDBP/FUBD	Short Term	0.50	ACUITE A4 (Assigned)
	Letter of credit	Short Term	0.75	ACUITE A4 (Assigned)
30-Jun-2016	Open Cash Credit	Long Term	4.50	ACUITE B/ Stable (Suspended)
	Proposed Term Loans	Long Term	1.00	ACUITE B/ Stable (Suspended)
	FDBP/FUBD	Short Term	2.00	ACUITE A4 (Suspended)
	Letter of credit	Short Term	0.75	ACUITE A4 (Suspended)
30-Apr-2015	Open Cash Credit	Long Term	4.50	ACUITE B/ Stable (Assigned)
	Proposed Term Loans	Long Term	1.00	ACUITE B/ Stable (Assigned)
	FDBP/FUBD	Short Term	2.00	ACUITE A4 (Assigned)
	Letter of credit	Short Term	0.75	ACUITE A4 (Assigned)

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Open Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.75	ACUITE B-/Stable (Upgraded from ACUITE D)
Proposed Term Loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B-/Stable (Upgraded from ACUITE D)
FDBP/FUBD	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Upgraded from ACUITE D)

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