



**Press Release**  
**Gemini Enterprises**  
**October 19, 2023**  
**Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.90	ACUITE BBB-   Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.05	Not Applicable   Withdrawn	-
Bank Loan Ratings	6.05	-	ACUITE A3   Reaffirmed & Withdrawn
Bank Loan Ratings	1.00	-	Not Applicable   Withdrawn
<b>Total Outstanding Quantum (Rs. Cr)</b>	0.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	27.00	-	-

**Rating Rationale**

Acuite has reaffirmed & withdrawn its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its shortterm rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 25.95.crore bank facilities of Gemini Enterprises (GE).

Acuite has also withdrawn the long term and the short term rating on the Rs 1.5 Cr **proposed** bank facilities of Gemini Enterprises.

The withdrawal is on account of client's request and receipt of NOC from the lead banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating.

**About the Company**

GE is a Chennai-based partnership firm established in 1989. The firm is promoted by Mr. A Sekar, who has nearly 3decades of experience in leather garments business. The firm is involved in processing and exporting of finished leather and leather garments, mainly leather jackets. It is a 100 percent exportoriented unit. It has 6 units across Tamilnadu with combined installed capacity to produce 2.75 lakh leather garments per annum. GE products are exported to over 20 countries including Spain, Germany, Italy, France, USA, Portugal and U.A.E, among others.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of GE to arrive at the rating.

**Key Rating Drivers**

**Strengths**

- **Long track record of operations; experienced partners and association with reputed Clientele**

The firm established in 1989, is involved in the manufacture and export of leather-jackets for nearly three decades. The partner is a veteran in the industry with long-standing experience

over 3 decades, which leads to steady revenues. GE exports leather garments to reputed global clients including ITX Trading (SPAIN), Hugo Boss (Germany). They contribute over 60 percent of the total revenue. GE has well established relationships with these customers,

which helped the firm in winning repeat orders from these brands. GE's has reported revenues of Rs.167.92 Cr in FY2023 against Rs. 154.43 Cr in FY2022, thus registering a Y-o-Y growth of approx. 8.74 percent. Acuité believes that the promoter's experience, vintage of operations, reputed clientele are expected to support in the improvement of its business risk profile over the medium term.

- **Moderate financial risk profile metrics**

The firm's financial risk profile is marked by a moderate net worth, gearing and moderate debt protection metrics. The net worth of the company stood at Rs.26.55 Cr and Rs.27.44 Cr as on March 31, 2022 and 2023 respectively. The gearing of the firm stood at 0.51 times as on March 31, 2023 against 0.39 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 4.63 times and 3.57 times as on March 31, 2023 respectively as against 6.28 times and 4.69 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.44 times and 1.09 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the firm stood at 1.65 times as on 31 March, 2023 as against 1.24 times as on March 31, 2022. Acuité believes that the financial risk profile of the company will continue to remain moderate on account of moderate net worth and debt protection metrics.

- **Efficient working capital management**

GE's working capital operations are efficiently managed as evident from Gross Current Asset (GCA) at 84 days as on March 31, 2023 as against 69 days as on March 31, 2022, due to prudent inventory management, and efficient collection of trade receivables supported by reputed clientele. Inventory days stood at 47 days as on March 31, 2023 as against 28 days as on March 31, 2022. Subsequently, the payable period stood at 77 days as on March 31, 2023 as against 51 days as on March 31, 2022 respectively. The debtor day stood at 21 days as on March 31, 2023 as against 23 days as on March 31, 2022. Further, the average bank limit utilization in the last six months ended August, 2023 remained at 72 percent for fund based limits. Acuité believes that GE's operation continue to be at efficient levels supported by reputed clientele with timely payments, minimal inventory levels and support from creditors.

## **Weaknesses**

- **Exposure to foreign exchange rate fluctuation**

The firm's profitability is exposed to foreign exchange rate fluctuation; however, the risk is mitigated to an extent by the benefit of natural hedge and through forward contracts. Since the firm engages in both import and export activities, the forex risk is naturally hedged to some degree. The balance foreign currency exposure is hedged by forward cover with sanctioned limits of Rs. 1.00 Cr. Acuité believes that revenues and profitability remain susceptible to regulatory risks such as changes in duty structure and rate of export incentives, which could potentially impact the competitiveness of its products

- **High competition in the industry and geographic and customer concentration risk**

Leather industry is characterised by high competition due to presence of large number of small to medium sized players along with intense competition from international suppliers. The firm has to compete not only with other domestic players, but also with manufactures in overseas market of China, Pakistan and Bangladesh. The intense competition limits the ability of the firm to pass on the volatility of the raw material prices and forex loss to its customers entirely, while pricing the products.

## **Rating Sensitivities**

Not applicable

## **All Covenants**

None

**Liquidity Position: Adequate**

GE has adequate liquidity marked by moderate net cash accruals as against which the firm has no repayment obligations. The firm has generated cash accruals in the range of Rs.4.70 Cr in FY2023 ,while its maturing debt obligations were NIL during the same period. The current ratio stood at 1.37 times as on March 31, 2023 and the fund based limit remains utilized at 72 percent over the six months ended August 31, 2023. The firm maintains unencumbered cash and bank balances of Rs.0.33 Cr as on March 31, 2023. Acuité believes that the liquidity of the company is likely to improve over the medium term.

**Outlook: Not applicable****Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	167.92	154.43
PAT	Rs. Cr.	3.57	3.78
PAT Margin	(%)	2.13	2.45
Total Debt/Tangible Net Worth	Times	0.51	0.39
PBDIT/Interest	Times	4.63	6.28

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Oct 2022	Packing Credit	Long Term	2.50	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.05	ACUITE BBB-   Stable (Reaffirmed)
	Bills Discounting	Long Term	14.65	ACUITE BBB-   Stable (Reaffirmed)
	Standby Line of Credit	Long Term	2.75	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.05	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A3 (Reaffirmed)
07 Jul 2021	Bank Guarantee	Short Term	0.05	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.05	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Long Term	2.75	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	2.50	ACUITE BBB-   Stable (Reaffirmed)
	Bills Discounting	Long Term	14.65	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A3 (Reaffirmed)
24 Mar 2020	Proposed Bank Facility	Long Term	0.05	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Long Term	14.65	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.05	ACUITE A3+ (Reaffirmed)
	Standby Line of Credit	Long Term	2.75	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A3+ (Reaffirmed)
	Packing Credit	Long Term	2.50	ACUITE BBB-   Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	ACUITE A3   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	14.65	ACUITE BBB-   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BBB-   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	Not Applicable   Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	Not Applicable   Withdrawn
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.75	ACUITE BBB-   Reaffirmed & Withdrawn

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:moparthy.anuradha@acuite.in">moparthy.anuradha@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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