

Press Release

Bose Exports (BE)

06 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 8.00 crore
Short Term Rating	SMERA A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 8.00 crore bank facilities of 'BOSE EXPORTS'. The outlook is '**Stable**'.

Bose Exports (BE) a Tirupur based partnership firm was established in the year 2006 and is promoted by Mr. Ramasamy, Mr. Subramaniyam and Mr. Shiva Kumar. The firm is engaged in manufacturing and export of hosiery garments. BE has two manufacturing units located in Tirupur with a capacity to manufacture 8,000 pieces per day.

Key rating drivers

Strengths

Experienced management

Partners of the firm possess more than 2 decade experience in the textile industry. Mr. Ramasamy and Mr. Subramaniyam overseas the production units and Mr. Siva Kumar who hold management degree looks after the day to day operations of the firm. SMERA believes that, BE will benefit from its experienced management.

Improvement in working capital cycle

Working capital cycle of the firm is comfortable and improved to 23 days in FY2017 as against 38 days in FY2016 on account of improved realization in debtors. Debtor days improved to 29 days in FY2017 as against 77 days in FY2016. Inventory days stood at 65 days in FY2017 as against 44 days in FY2016. Further creditor days stood at 71 days as against 83 days in FY2016.

Weaknesses

Decline in revenues and profitability

Operating income of the firm declined to Rs. 17.69 crore in FY2017 as against Rs. 20.52 crore in FY2016 on account of decline in export sales. Of the total sales in FY2017, contribution from export sales stood at 56 percent as against 87 percent in FY2016. Further, operating margins of the firm decline to 5.77 percent in FY2017 as against 6.92 percent in FY2016 on account of increase in overhead costs.

Below average financial risk profile

The financial risk profile of BE is below average marked by net worth of Rs. 1.95 crore as on 31 March, 2017 as against Rs. 1.65 times as on 31 March, 2016. Gearing stood high at 3.12 times as on 31 March 2017, as against 3.46 times as on 31 March, 2016 on account of low net worth coupled with high reliance on working capital borrowings. As on 31 March 2017, of the total debt of Rs. 6.08 crore, long term loan constitute Rs. 0.73 crore, short term borrowings stood at Rs. 5.35 crore. Interest coverage ratio stood at 2.01 times for FY2017 as against 1.72 times in FY2016. Debt service coverage ratio (DSCR) stood at 2.01 times in FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 4.48 times as on 31 March, 2017 as against 5.26 times as on 31 March, 2016.

Intense competition from small and established players

BE operates in a highly fragmented textile industry with limited entry barriers wherein the presence of a large number of domestic and international players in the sector limits its bargaining power with customers.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of BE to arrive at the rating.

Outlook – Stable

SMERA believes that BE will maintain stable outlook over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case of an improvement in the firm's scale of operations or any improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further decline in margins or deterioration in the firm's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.69	20.52	22.44
EBITDA	Rs. Cr.	1.02	1.42	1.74
PAT	Rs. Cr.	0.11	0.44	0.61
EBITDA Margin	(%)	5.77	6.92	7.75
PAT Margin	(%)	0.60	2.13	2.71
ROCE	(%)	8.44	17.79	46.84
Total Debt/Tangible Net Worth	Times	3.12	3.46	2.64
PBDIT/Interest	Times	2.01	1.72	1.76
Total Debt/PBDIT	Times	5.56	3.94	2.80
Gross Current Assets (Days)	Days	150	164	154

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Dec-2016	Packing credit	Short Term	3.00	SMERA A4
	Foreign bill discounting	Short Term	3.00	SMERA A4
	Packing credit (Proposed)	Short Term	1.00	SMERA A4
	Foreign bill discounting (Proposed)	Short Term	1.00	SMERA A4

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4 (Reaffirmed)
Foreign bill discounting	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4 (Reaffirmed)
Packing credit (Proposed)	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Reaffirmed)
Foreign bill discounting (Proposed)	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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