

Press Release

Bose Exports

April 18, 2019



Rating Downgraded and Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE D (Assigned)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE D**' (read as **ACUITE D**) and downgraded the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.8.00 crore bank facilities of Bose Exports (BE) . The outlook is '**Stable**'.

The rating downgrade is on account of delays in servicing of debt obligations during the last three months.

Tamil Nadu based, BE was established as a partnership firm in 2006. Mr. P Ramasamy, Mr. R. Sivakumar and Mrs. Nivetha Sivakumar are the partners of the firm. The firm is engaged in manufacturing and exporting of high class hosiery garments. The manufacturing unit is located in Tirupur with installed capacity of 5000 pieces per day.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

BE was established in 2006, thus the firm has an operational track record of over a decade in the readymade garment industry. Mr. P Ramasamy and Mr. R. Sivakumar have an experience of over two decades in the same line of business. The long track record of operations and experience of management has helped the firm develop healthy relationships with its customers and suppliers. Acuité believes that the firm will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

- **Delays in debt servicing**

The rating reflects delays in servicing of debt obligations. There have been instances of delay in servicing of principal and interest payments of term loans during the last three months. However, there are no overdues as on date.

- **Decline in revenues and moderate profitability**

The scale of operations shows a declining trend with operating income of Rs. 16.55 crore in FY2018 as against Rs. 17.65 crore in FY2017 and Rs. 20.52 crore in FY2016. However, the operating income for FY2019 (Provisional) is Rs. 18.50 crore. The operating margins stood at 6.47 percent in FY2018 from 5.77 percent in FY2017. Net margin stood at 1.96 percent in FY2018 as against 0.60 percent in FY2017.

- **Average financial risk profile**

The financial risk profile of the firm stood average marked by average net worth, debt protection metrics and coverage indicators. The net worth of BE stood at Rs. 2.57 crore as on 31 March, 2018 as against Rs. 1.95 crore as on 31 March, 2017. The gearing (debt-equity) stood at 1.67 times as on 31

March, 2018 as against 3.12 times as on 31 March, 2017. The total debt of Rs. 4.29 crore as on 31 March, 2018 mainly comprises Rs.1.15 crore of long term debt and Rs. 3.14 crore of working capital borrowings. The coverage indicators are average marked by Interest Coverage Ratio (ICR) at 1.93 times for FY2018 as against 2.01 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) stood at 0.13 times in FY2018 as against 0.09 times in FY2017. Debt to EBITDA stood at 3.74 times in FY2018 as against 5.56 times in FY2017.

• **Working capital intensive operations**

The firm has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 186 days for FY2018 as against 150 days for FY2017. The inventory days stood at 77 days for FY2018 as against 65 days for FY2017. The debtor days stood at 26 days for FY2018 as against 29 days for FY2017. Acuite believes that the firm's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

• **Intense competition for 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.

Liquidity Position

BE has weak liquidity marked by low net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 0.55 crore for FY2018 against Rs. 0.70 crore of debt obligation in the same period. The firm's operations are working capital intensive as marked by high gross current asset (GCA) of 186 days for FY2018. The firm maintains unencumbered cash and bank balances of Rs.0.07 crore as on 31 March 2018. The current ratio stands at 0.99 times as on 31 March 2018.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.55	17.69	20.52
EBITDA	Rs. Cr.	1.07	1.02	1.42
PAT	Rs. Cr.	0.32	0.11	0.44
EBITDA Margin	(%)	6.47	5.77	6.92
PAT Margin	(%)	1.96	0.60	2.13
ROCE	(%)	12.36	8.44	34.74
Total Debt/Tangible Net Worth	Times	1.67	3.12	3.46
PBDIT/Interest	Times	1.93	2.01	1.72
Total Debt/PBDIT	Times	3.74	5.56	3.94
Gross Current Assets (Days)	Days	186	150	164

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
06-Mar-2018	Packing Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
	Foreign Bill discounting	Short Term	3.00	ACUITE A4 (Reaffirmed)
	Packing Credit (Proposed)	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Foreign Bill discounting (Proposed)	Short Term	1.00	ACUITE A4 (Reaffirmed)
16-Dec-2016	Packing Credit	Short Term	3.00	ACUITE A4 (Assigned)
	Foreign Bill discounting	Short Term	3.00	ACUITE A4 (Assigned)
	Packing Credit (Proposed)	Short Term	1.00	ACUITE A4 (Assigned)
	Foreign Bill discounting (Proposed)	Short Term	1.00	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
Packing Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE D (Downgraded from ACUITE A4)
Foreign Bill discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE D (Downgraded from ACUITE A4)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE D (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.05	ACUITE D (Downgraded from ACUITE A4)

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About Acuite Ratings & Research:

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