

Press Release

Alpine Apparels Private Limited

September 04, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 54.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 54.00 crore bank facilities of Alpine Apparel Private Limited. The outlook is '**Stable**'.

Haryana based, Alpine Apparels Private Limited, incorporated in 1995 is engaged in manufacturing and export of leather based fashion accessories like handbags, wallets, sports gloves among others. It has reputed customers like Prada, Ralph Lauren, Tony Burch, CWF- children worldwide Fashion among others. The manufacturing facility is located at Faridabad, Haryana. The company is star export house and managed by Mr. Sanajay Leekha along with his wife Mr. Charu Leekha and Mr. Hardeep Singh.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company have experience of more than three decades in leather industry and have developed healthy relations with customers and suppliers. Based on superior quality and healthy relationship, repeated orders from old and new customers are witnessed. Acuité believes that the company will continue to benefit from its promoters' extensive industry experience over the long term.

- **Reputed Clientele with established track record of relation**

AAPL has established relationship with its key customers for more than a decade. Its customers are widely recognized brands in fashion industry like Prada SPA, Ralph Lauren, GBG Accessories Group LLP, CWF among others.

- **Comfortable order book position**

AAPL has achieved a turnover of Rs. 36.00 crore for the period of April to June 2018. Further orders in hand from Ralph Lauren, Prada and CWF, worth Rs. 23.68 crore executable within 1-2 months. Further company has product mix of bags, belts, gloves, caps, shoes and other small leather products.

Weaknesses

- **Working capital intensive nature of business**

The operations of the company are working capital intensive in nature marked by high gross current asset (GCA) days of 249 in FY18; which includes inventor holding of 119 days, and receivable days of about 100 though it is supported partly by material suppliers of about 120-140 days. High GCA is also attributed to huge amounts stuck in the form of GST recoverable of about Rs.6.95 crores, export incentives receivable of Rs.5.4 crores and other current assets aggregating to Rs.15.9 crores. Acuite believes that with the taxes and incentives expected to realise in short term, the GCA is likely to improve to about 200 days over the medium term, though continues to be working capital intensive.

- **Customer concentration**

In FY18, about 70 per cent of its total turnover is earned from top three customers thus possess customer concentration risk. Expansion of customer base will be crucial to avoid effect of market slowdown, or any sharp decline in revenues of any of the top clients impacting the revenues though the company has been able to add new customers in FY 17 and FY 18.

- **Volatile revenue trend**

The turnover of the company has shown uneven trend over the last three years. In FY17, turnover has declined substantially due to decline in demand from European market. Further, orders from Prada also decline. However, in FY18, demand from foreign market has improved. Geographic and customer expansion will be helpful in overcoming this limitation.

- **Below-average financial risk profile**

The financial risk profile of the company is reflected by high total outside liabilities to total networth (TOLTNW) and high gearing (debt-to-equity), though partly mitigated by average interest coverage ratio. TOLTNW is high at 5.35 times in FY18 (Provisional), deterioration from 4.58 times in FY2017; also, gearing is high at 3.43 times vis-à-vis 3.63 times in FY2017. Deterioration in the capital structure is owing to high utilization of working capital facility in FY 18 for purchase of raw material. Its networth is moderate and stood at Rs.19.24 crore as on March 31, 2018 as compared to Rs.14.34 crore in FY2017. Its debt protection metrics of interest coverage is average at about 1.66 times, though net cash accruals to total debt is weak at about 0.06 times in FY2018. However, with the expected improvement in revenues, accretion to reserves and marginal capex is expected to support in improvement of financial risk profile over the medium term.

Analytical Approach

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

Outlook: Stable

Acuité believes that AAPL will maintain a 'Stable' outlook over the medium term on account of its promoters' extensive experience in Leather industry and healthy relationship with reputed customers. The outlook may be revised to 'Positive' if the company sustain the growth in revenues while maintaining its profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity – Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	148.27	62.84	123.55
EBITDA	Rs. Cr.	11.28	7.52	8.79
PAT	Rs. Cr.	1.66	0.50	0.31
EBITDA Margin	(%)	7.60	11.96	7.12
PAT Margin	(%)	1.12	0.80	0.25
ROCE	(%)	12.39	8.88	10.44
Total Debt/Tangible Net Worth	Times	3.43	3.63	3.62
PBDIT/Interest	Times	1.66	1.45	1.57
Total Debt/PBDIT	Times	5.74	6.72	6.15
Gross Current Assets (Days)	Days	249	348	179

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

None.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition – <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments –<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	48.00	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+
Proposed Long term facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB/Stable

*Sublimit within Rs. 48.00 crore is -PC/PCFC Rs. 20.00 crore and FBD/FBE Rs. 36.00 crore

**Sublimit within Rs. 4.00 crore is - LC Rs. 2.00 crore and BG Rs. 2.00 crore.

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About Acuité Ratings & Research:

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