



Press Release

ALPINE APPARELS PRIVATE LIMITED

March 26, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.66.00 Cr. (Enhanced from 54.00 Cr.)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.66.00 crore bank facilities of ALPINE APPARELS PRIVATE LIMITED (AAPL). The outlook is '**Stable**'.

Haryana based AAPL, incorporated in 1995, is a star export house, promoted by Mr. Sanajay Leekha along with his wife, Mrs. Charu Leekha, and Mr. Hardeep Singh. AAPL is engaged in manufacturing and export of leather based fashion accessories such as handbags, wallets and sports gloves, among others to the countries including France, Germany and USA. The manufacturing facility is located at Faridabad (Haryana). Currently, the company is in the process to diversify its product base to non-leather fashion accessories as well.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Extensive experience of the promoters and established customer relationship**

The promoters of the company have experience of more than two decades in leather industry. AAPL has established relationship with its customers for more than a decade. Its customers are widely recognised brands in fashion industry such as Prada SPA, Ralph Lauren, GBG Accessories Group LLP and CWF, among others.

Acuité believes that the company will continue to benefit from its promoters' extensive industry experience and healthy relationship with customers over the long term.

- **Healthy revenue visibility**

AAPL has registered a turnover of Rs.125.19 crore for the period of April to December 2018 (Provisional). The company has orders worth Rs.45.24 crore to be executed by June 2019. The company is diversifying its product base to non-leather fashion accessories along with leather based products which is expected to improve its turnover over the near to medium term.

Weaknesses

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive in nature marked by GCA of 179-249 days over the last three years ending in FY18. Due to the long manufacturing cycle, AAPL has to maintain inventory of at least three months in order to execute overseas order in time bound manner. The inventory stood at 102-119 days over the last three years through FY2018.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by net worth of Rs.16.87 crore as on March 31, 2018 as compared to Rs.14.34 crore as on March 31, 2017. The debt to equity ratio stood high at 3.87 times for FY18 as compared to 3.63 times in FY17, due to higher working capital requirement. The total debt of Rs.65.30 crore as on March 31, 2018 majorly includes working capital borrowings of Rs.54.48 crore and term loans of Rs.7.43 crore. The gearing is expected to remain above 3 times in FY19-20 and FY20-21 on account of debt funded capex plan of ~Rs.12.00 crore to be incurred in FY19-20 for set-up of factory for non-leather products.

Liquidity Position:

AAPL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. AAPL generated cash accruals of Rs.2.58-3.89 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.2.33-3.51 crore over the same period. AAPL's operations are highly working capital intensive as marked by gross current asset (GCA) days of 249 in FY 2018, resulting in higher reliance on working capital borrowings.

The working capital limit of the company remains 100 percent utilised during the last six months period ended December 2018. The company maintained unencumbered cash and bank balances of Rs.0.92 crore as on March 31, 2018. The current ratio stood moderate at 1.07 times as on March 31, 2018. The company is about to incur capex of Rs.17.50-18.00 crore over the next two years which is to be funded by external borrowing of Rs.12.00 crore and rest from internal accruals and promoters funding.

Acuité believes that the liquidity is likely to remain moderate over the medium term on account of moderate cash accrual vis-à-vis debt repayment obligations.

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 leading fashion brands. The outlook may be revised to 'Positive' if the company is able 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 profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	147.90	62.84	123.55
EBITDA	Rs. Cr.	11.57	7.52	8.79
PAT	Rs. Cr.	1.85	0.50	0.31
EBITDA Margin	(%)	7.82	11.96	7.12
PAT Margin	(%)	1.25	0.80	0.25
ROCE	(%)	13.12	8.88	9.07
Total Debt/Tangible Net Worth	Times	3.87	3.63	3.62
PBDIT/Interest	Times	1.74	1.45	1.57
Total Debt/PBDIT	Times	5.52	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/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Sep-2018	Bills Discounting	Short Term	48.00*	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	4.00**	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	2.00	ACUITE BB / Stable (Assigned)

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

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	48.00*	ACUITE A4+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00**	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	14.00 (Enhanced from Rs.2.00 crore)	ACUITE BB / Stable (Reaffirmed)

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

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

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About Acuité Ratings & Research:

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