

Press Release

Bohra Exports Private Limited

November 05, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.96.00 Cr. (Enhanced from Rs.17.50 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.96.00 crore bank facilities of Bohra Exports Private Limited. The outlook is '**Stable**'.

Mumbai based, Bohra Exports Private Limited (BEPL) was incorporated in 1986 by Mr. Pratap Singh Bohra. The company is engaged in ship breaking and asset stripping/dismantling business. The company undertakes ship recycling activities at its 3015 square meters plot at Alang, Gujarat.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established presence of promoters in asset recycling industry**

The management of the company is engaged in ship recycling and asset recycling business for more than two decades. The business model entails acquiring old ships/other assets such as power plant and dismantling them and recovering the investment through sale of scrap and parts. The long presence of the management in the industry has resulted in establishing healthy relationship with customers and suppliers. Further, the company has location advantage as its operations are conducted at Alang, Gujarat, which is the world's biggest ship breaking yard ensuring easy availability of the human and physical infrastructure.

- **Healthy revenue visibility over near to medium term**

At present company has contract with Gujarat State Electricity Board for dismantling two thermal power plant of 120MW each with total cost of Rs.98.64 crore. The funding for purchase of power plant is sourced through cash credit facility of Rs.50.00 crore from bank, promoters' unsecured loan of Rs.23.00 crore and rest from internal accruals. The dismantling process is expected to commence from November 2018, giving comfortable revenue visibility over the near to medium term.

- **Moderate financial risk profile**

BEPL has moderate financial risk profile marked by moderate net worth of Rs.16.06 crore as on March 31, 2018 as compared to Rs.14.72 crore as on March 31, 2018. Further the company has infused unsecured loan of Rs.12.70 crore till Oct 16, 2018 out of which Rs.8.00 crore will be retained in the business for at least next five years. After considering Rs.8.00 crore as quasi equity, the peak TOL/TNW is expected to stand moderate at ~4.00 times over the medium term. The interest coverage stood moderate at 1.95 times as on March 31, 2018 as compared to 4.77 times as on March 31, 2018.

Weaknesses

• Susceptibility of operating performance to volatility in steel demand

BEPL is currently executing power plant dismantling project. The scrap will be primarily sold to the rolling mills. The demand from the core user sector industry i.e. steel sector will be critical to the operating performance of the company. Any slowdown in demand or lower sales realisation vis-à-vis expectations will have bearing on the operating performance of the company.

• Exposure to volatility in foreign exchange fluctuation

The ship purchases are in foreign currency while realisation is in domestic currency (Indian Rupees). Though the company uses forwards to hedge its forex risk, the cover is taken based on management expectations on forex movement over a long duration of LC ranging from 90 to 270 days. Also, the scrap rates are volatile over the period of ship breaking which can impact the margin.

Outlook: Stable

Acuité believes that BEPL will maintain a 'Stable' outlook in the medium term on the back of management's extensive experience in the asset breaking business. The outlook may be revised to 'Positive' in case of higher than expected increase in revenues and operating margins while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significantly lower than expected growth in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	95.56	15.76	138.35
EBITDA	Rs. Cr.	3.61	0.57	5.68
PAT	Rs. Cr.	1.34	0.57	0.44
EBITDA Margin (%)	(%)	3.78	3.63	4.11
PAT Margin (%)	(%)	1.40	3.60	0.32
ROCE (%)	(%)	30.36	5.25	45.80
Total Debt/Tangible Net Worth	Times	0.00	0.01	0.73
PBDIT/Interest	Times	1.95	4.77	1.21
Total Debt/PBDIT	Times	0.00	0.08	1.73
Gross Current Assets (Days)	Days	249	275	52

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-40.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
01-Nov-2018	Cash Credit	Long Term	11.00	ACUITE BBB- / Stable (Assigned)
	Letter of credit	Short Term	6.50	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB- / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	85.00* (Enhanced from Rs.6.50 crore)	ACUITE A3 (Reaffirmed)

Sublimit within LC facility*

Letter of guarantee Rs. 85.00 crore.

Letter of credit Rs. 50.00 crore for dismantling of old factories/units.

Letter of credit Rs. 25.00 crore for import/trading of scrap.

Cash credit Rs. 50.00 crore for dismantling of old factories/units.

Cash credit Rs. 25.00 crore for import/trading of scrap.

Cash credit Rs. 10.00 crore for payment of security deposit/initial down payment of bid.

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Bhanupriya Khandelwal Analyst - Rating Operations Tel: 022-49294045 bhanupriya.khandelwal@acuiteratings.in	

About Acuité Ratings & Research:

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