

Press Release

Bohra Exports Private Limited

May 23, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	15.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	115.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.115.00 crore bank facilities of Bohra Exports Private Limited (BEPL). The outlook is '**Stable**'.

Reason for rating reaffirmed

The rating reaffirmation takes into account the healthy revenue visibility over the medium term after the outbreak of covid-19. The rating continues to draw comfort from the experienced management, moderate financial risk profile and adequate liquidity position of the company. However, the above mentioned strengths are partly offset by the working capital intensive nature of operations and highly cyclical & fragmented nature of the industry.

About the Company

Mumbai based Bohra Exports Private Limited (BEPL) was incorporated in 1986 by Mr. Pratap Bohra. It was initially engaged in trading of commodities and chemicals. In 1992, it entered in the business of ship breaking. The company has also ventured into purchasing assets for recycling and asset stripping. The company undertakes ship recycling activities at its 3015 sq. meters plot at Alang, Gujarat. It has a capacity of recycling 60,000 tons per annum.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BEPL to arrive at the rating

Key Rating Drivers

Strengths

Established presence of promoters in ship recycling industry and location advantage

The management of the company is engaged in ship recycling and asset stripping business for more than two decades. It has recycled over 50 ships till date. The long presence of the

management in the industry has resulted in establishing healthy relationship with its customers. 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 labour at cheaper prices as well as ready market for selling the scrap. BEPL has recently been awarded two orders for purchase of scrap from thermal power plant. One order was awarded in 4QFY2022 for a thermal power plant in Ropar costing ~Rs 70 Cr. The other order was awarded in 1QFY2023 is for purchase of scrap from Lanco Vidhraba thermal power plant costing ~Rs 90 Cr. It started recording revenue from the Ropar power plant from February 2022 and has recorded sales of ~Rs. 60 Cr till May 2022.

Acuite believes that the company has comfortable revenue visibility over the near to medium term from sale of scrap from such thermal plant.

Moderate Financial risk Profile

The financial risk profile of the company is healthy marked by modest networth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.32.53 Cr as on 31st March 2021 as against Rs.26.60 Cr as on 31st March 2020. Gearing (Debt to Equity) of the company, remained comfortable at 0.25 times as on 31st March 2021 as against 0.43 times as on 31st March 2020. TOL/TNW (Total Outside liabilities to Tangible Networth) stood at 0.23 times as on 31st March, 2021 as against 2.83 times as on 31st March, 2020. Debt protection metrics remained comfortable with DSCR at 4.09 times in FY2021 as against 1.60 times in FY2020. Interest coverage ratio stood at 5.16 times in FY2021 as against 1.77 times in FY2020.

Acuite believes that the financial risk profile of the company is expected to remain moderate with regular accretions to reserves and no major debt funded capital expenditure planned in near term.

Weaknesses

Working capital intensive nature of operations

The working capital operations of BEPL is intensive with Gross Current Asset (GCA) days of 168 days in FY2021 as against 402 days in FY2020. BEPL opens Letter of Credit with duration of 270-360 days for the purchase of ships. In case of purchase of power plants the payment is made in advance. The dismantling process takes around 12 to 15 months. The lower GCA days in FY2021 is due to contraction seen in Inventory days from 320 days in FY2020 as against 74 days in FY2021. Such contraction is on account of sale of existing inventory.

Acuite believes that working capital operations of BEPL will remain intensive with GCA days between 419-590 days in the medium term due to the build-up of inventory from the scrap of power plants purchased.

Exposure to risks related to cyclical and fragmented industry along with fluctuating revenues:

The industry is cyclical and the viability of the business is inversely correlated with the international freight index. The company has to compete with small players during limited availability of vessels. Domestic players also face competition from ship-breakers in China, Bangladesh, and Pakistan. Further, due to tender based operations, revenues are majorly dependent on the winning of the contract which results in the fluctuation in operating performance. The revenue for FY2022 declined to Rs. 40.21 Cr (Provisional) as against 65.91 Cr in FY 2021 and 78.42 Cr in FY2020.

Rating Sensitivities

Improving scale of operations while maintaining profitability.

Efficient management of working capital cycle resulting in timely buildup of liquid fund for LC retirement.

Adverse movement in the price of steel scrap, or unfavorable movements in foreign exchange rates

Material covenants

None

Liquidity: Adequate

BEPL has adequate liquidity marked by Net Cash Accruals (NCA) of 6.19 Cr with no maturing debt obligations. The company is expected to generate Net Cash accruals of 1.33-6.60 Cr without any maturing debt obligations. The current ratio of the company stood at 5.13x as on March 31, 2021 and NCA/TD stood at 0.76 times as on March 31, 2021. Bank limit utilisation remained minimal at 6.27% for 6 months ended March 2022. BEPL maintained unencumbered cash balances of Rs.10.08 Cr in FY2021 as against 0.29 Cr in FY2020.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of average cash accruals against no major debt repayments over the medium term

Outlook: Stable

Acuite believes that BEPL will maintain a 'Stable' outlook in the medium term on account of the management's extensive experience in the ship breaking business and comfortable cash flows. 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 significant decline in revenues and accruals or elongation of the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	65.91	78.42
PAT	Rs. Cr.	5.93	1.61
PAT Margin	(%)	9.00	2.05
Total Debt/Tangible Net Worth	Times	0.25	0.43
PBDIT/Interest	Times	5.16	1.77

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Mar 2021	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
23 Jan 2020	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
05 Nov 2018	Cash Credit	Long Term	11.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	85.00	ACUITE A3 (Reaffirmed)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A3 Reaffirmed

*Total rated LC of Rs.100.00 crore which has been enhanced to 120 crore having following sublimit:

1. Letter of guarantee/SBLC for availing trade credit maximum upto 360 days of Rs.120.00 Crore
2. Letter of credit Rs.100.00 Crore for dismantling of old factories/units.
3. Letter of credit Rs.25.00 Crore for import/trading of scrap.
4. Cash credit Rs.50.00 Crore for dismantling of old factories/units.
5. Cash credit Rs.25.00 Crore for import/trading of scrap.
6. Cash credit Rs.10.00 Crore for payment of security deposit/initial down payment of bid.

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About Acuité Ratings & Research

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