

Press Release

Bohra Exports Private Limited

November 21, 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- Positive Reaffirmed Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	115.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on Rs. 115.00 crore bank loan facilities of 'Bohra Exports Pvt Ltd'. The outlook is revised from '**Stable**' to '**Positive**'.

Rationale for revision in outlook

The rating continues to draw comfort from company's long track record of operations and extensive experience of the management along with the company's established market position in the ship breaking industry. The revision in outlook reflects the augmentation in the business risk profile of the company marked by strong growth in operating income during 1HFY23 to Rs. 129.00 crores as against Rs. 39.51 crore in FY22. Furthermore, the company has also secured a bid for purchase of power plant for scrapping in October 2022 of Rs.145 crores which provides strong near-term revenue visibility. Acuite believes that the operating performance of the company is likely to remain strong in the near to medium term on account of healthy inventory and assets available with the company for dismantling operation. The rating is however constrained by vulnerability of margins majorly on account of volatility in scrap prices 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 taken a standalone approach to arrive at the rating of BEPL

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.

Acuité believes that BEPL will continue to benefit from its established track record of operations and experienced management.

Augmentation in business risk profile

Bohra Exports Pvt Ltd (BEPL) has recorded sales of Rs. 129 crores in 1HFY23 as against Rs. 39.51 crore in FY22. Post the covid induced lockdown, BEPL had entered into an agreement to purchase scrap from 2 power plants in January 2022. The company at the back of scrapping of both the thermal plants has recorded a strong growth in sales during 1HFY23. In addition to these power plants, BEPL has also received acceptance for a joint bid of another power plant in Hyderabad in October 2022 where BEPL has 30% share in the total scrap from the plant and is likely to register healthy operating performance in the near to medium term on account of the same.

The profitability of the company has remained rangebound with operating profit margin at 13.55 percent in FY22 compared against 13.99 percent in FY21. Furthermore, during 1HFY23 the company registered operating profit margin of 12.01 percent. PAT margins stood at 7.76 percent in FY22 as against 9.00 percent in FY21. PAT margins stood at 7.35 percent in 1HFY23. Profitability of the company is expected to improve in the near term on account of likely growth in the scale of operations.

Acuite believes that the business risk profile of the company will continue to improve on account of healthy inventory of assets for dismantling and experienced management of the company.

Healthy Financial Risk Profile

Financial risk profile of the company is healthy marked by moderate networth, low gearing and comfortable debt protection metrics. Tangible networth of the company stood at Rs.27.60 crore as on 31st March, 2022 as against Rs.24.53 crore as on 31st March 2021. Increase in networth is on account of accretion of profits to reserves. While the Gearing (Debt to equity) of the company stood high at 1.98 times as on 31st March 2022 as against 0.66 times as on 31st March 2021, the adjusted gearing (excluding unsecured loan) stood low at 0.53 times as on 31st March 2022 as against 0.20 times as on 31st March 2021. TOL/TNW (Total outside liabilities/ Tangible networth) stood at 3.06 times as on 31st March, 2022 as against 0.79 times as on 31st March 2021. Debt protection metrics of the company remained comfortable with DSCR at 2.39 times in FY22 and Interest coverage ratio stood of 2.85 times during the same period.

Acuité 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

Intensive nature of working capital operations

Working capital operations of the company is intensive with GCA days of 990 days in FY22 as against 143 days in FY21. GCA days are driven by other current assets which comprise of earnest money deposit of Rs. 46.20 crore maintained for bidding of ship and advances given for purchase of plant of Rs. 57.33 crore. Debtor collection period of the company stood at 22 days in FY22 as against 17 days in FY21. Inventory holding period stood at 3 days in FY22 as

against 75 days in FY21.

Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

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

The shipbreaking 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 and other assets. 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.

Rating Sensitivities

Continued sustainability in securing bids for dismantling of assets thereby increasing revenue visibility

Improving scale of operations while maintaining profitability.

Deterioration in working capital management leading to stretched liquidity

Material covenants

None

Liquidity: Adequate

Liquidity of the company is adequate with improving net cash accruals and low bank limit utilization. Average fund based bank limit utilization remained minimal at 13.59 percent for 6 months ended September, 2022. BEPL uses non-fundbased facilities for purchase of ships. Such non-fund based limits remain unutilised as the company has not purchased any power plants. Current ratio of the company stood at 2.48 times as on 31st March 2022 and NCA/TD stood at 0.06 times as on 31st March, 2022. Further, liquid fund investment with the company as on 30th September, 2022 stood at Rs. 37.50 crore and Fixed deposits stood at 18.44 crore. 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: Positive

The revision in outlook reflects healthy operating performance of the company leading to improvement in business risk profile. The rating may be upgraded in case the company is able to secure additional assets for dismantling and achieves higher than expected improvement in its operating performance while maintaining its profitability. Conversely, the outlook may be revised to 'Stable' in case of lower-than-expected profitability or moderation in the scale of operations.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	39.51	65.91
PAT	Rs. Cr.	3.07	5.93
PAT Margin	(%)	7.76	9.00
Total Debt/Tangible Net Worth	Times	1.98	0.66
PBDIT/Interest	Times	2.85	5.16

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 May 2022	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
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	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)

Annexure - Details of instruments rated

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

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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