



Press Release
Bohra Exports Private Limited
July 10, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BBB- Stable Reaffirmed Positive to Stable	-
Bank Loan Ratings	120.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	138.00	-	-

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.138.00 crore bank loan facilities of 'Bohra Exports Private Limited'. The outlook is revised from '**Positive**' to '**Stable**'.

Rationale for revision in outlook

The revision in outlook is driven by lower-than-expected improvement in BEPL's operating performance and moderate orderbook position providing limited revenue visibility. The operating income of the Company stood at Rs. 174.09 Cr in FY2023, which has moderately improved from Rs.129 Cr earned in H1FY2023. As on date, the company has a power plant unit for dismantling in hand. BEPL had jointly bidded for Rs.485.05 crore, where it had total scrap share of 17.34% - valuing to Rs. 92.78 crore from the plant, which is estimated to be realized by H2FY24. Further, it is under negotiation for one scrap ship amounting to ~Rs.100 Cr and one more power plant ~Rs.210 Cr. However, the bid winners for these projects are not declared yet. The rating continues to derive strength from extensive experience of the management and its healthy financial risk profile, though, the working capital intensive nature of industry and highly cyclical & fragmented nature of the industry constrains the rating.

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 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 locational 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.174.09 crore in FY23 as against Rs.39.51 crore in FY22. While scrapping the thermal plants, the company has recorded a strong growth in sales during FY23. In addition to this, BEPL is also under the negotiation of 1 power plant costing to Rs.210 Cr and 1 ship costing to Rs.100 Cr and is likely to register healthy operating performance in the near to medium term on account of the same.

The profitability of the company remained rangebound with operating profit margin at 10.50 percent in FY23 (Prov) as against 13.55 percent in FY22. Furthermore, PAT margins of the company standing at 6.93 percent in FY23 (Prov) comparing to 7.76 percent in FY22. 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 expected inventory of assets for dismantling and experienced management of the company.

Healthy Financial Risk Profile

The financial risk profile of the company is healthy with moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.39.67 crore as on 31st March, 2023 (Prov) comparing to Rs.27.60 crore as on 31st March, 2022. The increase in net worth is on account of accretion of profits to reserves. Total debt of the company was at Rs.65.65 crore as on 31st March, 2023 (Prov) as against Rs. 54.76 crore as on 31st March 2022. The debt profile of the company comprises of unsecured loan from promoters and relatives of Rs.48.51 crore and short-term loans of Rs.17.14 crore as on 31st March 2023 (Prov). The increase in debt of the company is on account of infusion of unsecured loans by promoter for purchase of plant. Gearing (Debt to equity) of the company stood at 1.65 times as on 31st March, 2023 (Prov) as against 1.98 times as on 31st March 2022, the adjusted gearing (excluding unsecured loan) stood low at 0.43 times as on 31st March 2023 (Prov) as against 0.53 times as on 31st March 2022. TOL/TNW (Total outside liabilities/ Tangible net worth) stood at 1.73 times as on 31st March, 2023 (Prov) against 3.06 times as on 31st March, 2022. Debt protection metrics of the company stood with DSCR stood at 4.27 times in FY23 (Prov) as against 2.39 times in FY22. Interest coverage ratio stood at 5.36 times in FY23 (Prov) as against 2.85 times in FY22.

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

Intensive nature of working capital operations

Working capital operations of the company are intensive with GCA days of 99 days in FY23 (Prov) as against 990 days in FY22. GCA days are driven majorly by other current assets which comprise of earnest money deposits maintained for bidding of ship and advances given for purchase of plant. Further, the advances paid for purchasing the plants has also been recognized through sale of scrap from such plant. While the GCA days of the company are volatile, the working capital cycle of the company remains efficient at 04 days in FY23 (Prov) as against 26 days in FY22.

Acuite 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 the 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 the 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 improving revenue visibility
- Deterioration in working capital management leading to stretched liquidity

Material covenants

None

Liquidity Position

Adequate

The liquidity of the company stood adequate with sufficient net cash accruals and low bank limit utilization. Average fund-based bank limit utilization remained at 07% for the last 06 months ended April 2023. Further, liquid fund investment with the company as on 31st March 2023 (Prov) stood at ~Rs. 30.40 crore and deposits with banks stood at 17.86 crore. The current ratio stands at 4.82 times as on March 31, 2023 (Prov) as against 2.48 times as on 31 March 2022.

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

The outlook is 'Stable' considering the improved business and financial risk profile of BEPL. The outlook shall be revised to 'Positive' 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 and capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected profitability or moderation in the scale of operations or deterioration in the financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	174.09	39.51
PAT	Rs. Cr.	12.07	3.07
PAT Margin	(%)	6.93	7.76
Total Debt/Tangible Net Worth	Times	1.65	1.98
PBDIT/Interest	Times	5.36	2.85

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
06 Mar 2023	Cash Credit	Long Term	3.00	ACUITE BBB- Positive (Assigned)
	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Positive (Reaffirmed)
21 Nov 2022	Cash Credit	Long Term	15.00	ACUITE BBB- Positive (Reaffirmed)
	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
23 May 2022	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (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- Stable Reaffirmed Positive to Stable
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- Stable Reaffirmed Positive to Stable
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3 Reaffirmed
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A3 Reaffirmed

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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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