



**Press Release**  
**Bohra Exports Private Limited**  
**October 03, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	120.00	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	138.00	-	-
Total Withdrawn Quantum (Rs.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.138.00 crore bank loan facilities of Bohra Exports Private Limited (BEPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation takes into account range-bound operating profitability margin, improvement in overall gearing albeit decline in operating income of BEPL. The company reported an operating profit margin of 11.01 percent in FY2024 as against 10.55 percent in FY2023. The operating income reduced to Rs. 78.17 Cr. in FY2024 as against Rs. 174.10 Cr. in FY2023 primarily on account of limited ship breaking contracts. The rating continues to be supported by moderate financial risk profile marked by moderate net worth, low gearing and comfortable debt protection metrics. The liquidity of the company stood adequate with sufficient net cash accruals and low bank limit utilization. The rating also continues to derive strength from extensive experience of the management, though the working capital-intensive nature of industry and highly cyclical & fragmented nature of the industry constrain 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 5280 sq. meters plot at Alang, Gujarat. It has a capacity of recycling 60,000 tons per annum.

**Unsupported Rating**

Not Applicable

### **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.

### **Moderate Financial risk profile**

The financial risk profile of the company is moderate with moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased and stood at Rs. 44.69 Cr. as on 31st March 2024 as against Rs. 39.85 Cr. as on 31st March 2023. The increase in net worth is on account of accretion of profits to reserves. Total debt of the company stood at Rs. 36.18 Cr. as on 31st March 2024 as against Rs. 65.65 Cr. as on 31st March 2023. The debt profile of the company comprises of unsecured loan from promoters and relatives of Rs. 36.18 Cr. Gearing (Debt to equity) of the company improved and stood at 0.81 times as on 31st March 2024 as against 1.65 times as on 31st March 2023. TOL/TNW (Total outside liabilities/ Tangible net worth) improved and stood at 0.83 times as on 31st March 2024 against 1.67 times as on 31st March 2023. Debt protection metrics of the company stood comfortable with DSCR at 2.34 times in FY24 as against 3.66 times in FY23. Interest coverage ratio stood at 2.79 times in FY24 as against 4.54 times in FY23.

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**

#### **Decline in scale of operations while maintaining profitability margins**

Decline in scale of operations while maintaining profitability margins Bohra Exports Pvt Ltd (BEPL) has reported a significant decline in operating income for FY24. Their operating income dropped to Rs. 78.17 Cr. in FY24 from Rs. 174.10 Cr. in FY23, reflecting a YoY decline of 55.10%. The decline is attributed to the absence of ship breaking activities throughout the year, primarily due to the unavailability of ships in the international market at equitable prices. Further, the scale of operations were also impacted in FY2024 due to slower execution of asset stripping of a plant acquired in previous year. BEPL had participated in a joint bid worth Rs. 485.05 crore, with a total scrap share of 17.34%, valued at Rs. 92.78 crore from the plant. It was estimated that this amount would be realized by the second half of FY24. However, only Rs. 75.87 crore has been booked so far, with the remaining work is expected to be completed by the end of FY25. Due to decline in scale of operations, the company's absolute operating profit significantly declined to Rs. 8.61 Cr. in FY24 from Rs. 18.37 Cr. in FY23. However, the operating margin remained rangebound at 11.01 percent in FY24 as against 10.55 percent in FY23. PAT margins stood at 6.19 percent in FY24 as against 7.04 percent in FY23.

#### **Intensive working capital operations**

Working capital operations of the company are intensive with GCA days of 136 days in FY24 as against 98 days in FY23. GCA days are driven majorly by other current assets which comprise of advances given for purchase of plant. While the GCA days of the company are volatile, the working capital cycle of the company remains efficient at 06 days in FY24 as against 04 days in FY23.

Acuité believes that the working capital cycle of the company will continue to remain volatile and intensive given the nature of the industry.

#### **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**

- Improvement in scale of operations while maintaining profitability margins
- Deterioration in working capital management leading to stretched liquidity

### **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 30.27% for the last 13 months ended April 2024. BEPL Letter of credit for purchase of ships remains unutilized as the company has not purchased any ships. Further, liquid fund investment with the company as on 31<sup>st</sup> March 2024 stood at ~Rs. 40.95 Cr. and deposits with banks

stood at Rs. 0.70 Cr. Cash and bank balance stood at Rs. 9.27 Cr. in FY24.

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 moderate financial risk profile and range bound operating margins, albeit decline in operating income. 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 further moderation in the scale of operations or deterioration in the financial risk profile.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	78.17	174.10
PAT	Rs. Cr.	4.84	12.25
PAT Margin	(%)	6.19	7.04
Total Debt/Tangible Net Worth	Times	0.81	1.65
PBDIT/Interest	Times	2.79	4.54

### 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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Jul 2023	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB-   Stable (Reaffirmed)
06 Mar 2023	Cash Credit	Long Term	15.00	ACUITE BBB-   Positive (Reaffirmed)
	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)
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	Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
05 Mar 2021	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**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
Indian Overseas Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE A3   Reaffirmed

## Contacts

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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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