

Press Release

Sam Exports

July 05, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and the short term rating of '**ACUITE A4**' (**read as ACUITE four**) on the Rs.6.00 crore bank facilities of Sam Exports. The outlook is '**Stable**'.

Sam Exports, a partnership firm, established in December 2016 is engaged in manufacture and export of high fashion garments for men and women. The firm is founded and managed by Mr. B. Shanmugasundaram and his wife, Mrs. S. Vaishnavi Meena. Both the partners have more than two decades of experience in the industry through other firms. The firm manufactures about 8.5 million pieces of garments per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Sam Exports was founded by Mr. B. Shanmugasundaram and his wife, Mrs. S Vaishnavi Meena having experience of more than two decades in the textile industry. The firm caters to international fashion houses and retail chains, predominantly in the United States, United Kingdom, Germany, Belgium, and Poland. The well-diversified customer base includes Eland Retails - South Korea, Evesyl Americas - US, Marco Polo Denims - Germany, Next PLC - UK among others. Acuité believes that promoters' extensive industry experience and its established relations with suppliers and customers would aid the business risk profile of the firm over the medium term.

Weaknesses

- **Working capital intensive operations**

The firm's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 308 days in FY2019 as compared to 295 days in FY2018. This is due to high inventory days which stood at 143 days in FY2019 (Provisional) against 189 days in FY2018. Modest net worth, modest cash accruals and working capital intensive operations lead to full utilisation of its limits for the last twelve months through March, 2019. Further, it is planning to add additional equipment to enhance the processing capacity which will further aggravate the working capital intensity of the firm over the near to medium term.

- **Improving financial risk profile**

The financial risk profile has improved to moderate marked by capital infusion in FY2019 though partly constrained by moderate debt protection metrics. Its gearing (debt-to-equity) and total outside liabilities to tangible net worth (TOL/TNW) have improved to 1.07 and 1.79 times as of March 31, 2019 (Provisional) against 4.65 and 5.70 times as of March 31, 2018. The net worth is modest though improved to Rs.6.84 crore in FY2019 (Provisional) as against Rs.1.79 crore in FY2018, an increase by Rs.5.05 crore; owing to infusion of Rs.5.00 crore and balance accretion to reserves. The firm's debt protection metrics of interest coverage and net cash accruals to total debt (NCA/TD)

are moderate at 2.63 and 0.09 times in FY2019 (Provisional). The firm's cash accruals are expected in the range of Rs.1.30-2.00 crore against nil maturing obligations. The surplus is expected to be absorbed by incremental working capital requirements and the capex of about Rs.7.00 crore planned in FY2020.

Liquidity Position: Stretched

Liquidity profile of Sam Exports is stretched reflected by high bank line utilisation. Sam Exports has reported cash accruals of Rs.0.67 crore in FY2019 (Provisional). It is expected to generate cash accruals in the range of Rs.1.30-2.00 crore over the medium term, against nil repayment obligations. However, working capital intensive operations are expected to weigh on the liquidity. Its working capital limits are fully utilised for the last twelve months through March 2019. Acuité believes that modest net worth and working capital intensive operations are expected to constrain the liquidity over the medium term.

Outlook: Stable

Acuite believes that Sam Exports will maintain a 'Stable' outlook over the medium term on account of its experienced management in the textile industry. The outlook may be revised to 'Positive' if the firm registers significant growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital intensive operations or higher-than debt-funded capex leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY2018 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.00	0.00	-
EBITDA	Rs. Cr.	0.82	(0.02)	-
PAT	Rs. Cr.	0.28	(0.06)	-
EBITDA Margin	(%)	6.31	-	-
PAT Margin	(%)	2.18	-	-
ROCE	(%)	8.80	(0.47)	-
Total Debt/Tangible Net Worth	Times	4.65	8.24	-
PBDIT/Interest	Times	1.53	(0.49)	-
Total Debt/PBDIT	Times	10.13	(382.61)	-
Gross Current Assets(Days)	Days	295	-	-

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-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Assigned)

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
P Krishi Keyan Analyst - Rating Operations Tel: 040-40274590 krishi.keyan@acuite.ratings.in	

About Acuité Ratings & Research:

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