

Press Release

Moustache Industries Private Limited

October 04, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE BBB/Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of **ACUITE BBB (read as ACUITE triple B)** to the Rs. 19.00 Cr. bank facilities of Moustache Industries Private Limited. The outlook is '**Stable**'.

Established in 1984 by Shah family of Kolkata, Moustache International Private Limited (MIPL) was engaged in the manufacturing of denim wear under the brand name of 'Moustache' and 'M'. The current management comprising of Mr. Rohit Poddar (Son-in-law of Mr. Ashok Kumar Todi, promoter of Lux Industries Limited, Rated at ACUITE AA/Stable/A1), Mr. Suraj Kumar Poddar and Mrs. Sushma Poddar have acquired the company in a slump sale transaction in September 2019 by floating a new entity named Moustache Industries Private Limited.

Analytical Approach

Acuité has taken a standalone view the business and financial risk profile of MIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management**

The directors of the company, Mr. Suraj Kumar Poddar and Mr. Rohit Poddar, have extensive experience in various industries through different organization. The management team led by Mr Rohit Poddar is provided support by Mr. Ashok Kumar Todi, Chairman of Lux Industries Limited. The Todi family has been in the business for over six decades. Further, Acuité believes that this extensive experience of Mr. Ashok Kumar Todi will help the company to maintain healthy relation with customers and suppliers.

- Moderate presence in West Bengal**

The company sells their products mainly under the brand name of 'Moustache' through 40 exclusive outlets and around 400 multi brand stores spread across West Bengal. The company also has tie ups with departmental stores such as Pantaloons etc. Acuité believes that the company's brand visibility in the Eastern part of the country would help the entity in getting increased customers.

Weaknesses

- Modest scale of operations**

The scale of operation is modest with revenue of Rs 15.69 crore in FY2019 (Prov.) as compared to Rs.17.08 crore in FY 2018. Acuité believes that the ability of the firm to scale up the operations will remain a key monitorable.

- Moderate financial risk profile**

The company's financial risk profile is moderate marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs. 4.32 crore as on 31 March, 2019 (Prov.) as against Rs. 4.27 crore in the previous year. The gearing increased to 3.65 times as on 31 March, 2019 (Prov.) from 3.22 times in the previous year. The debt protection metrics is moderate marked by interest coverage ratio (ICR) of 1.25 times in FY2019 (Prov.) and debt service coverage ratio (DSCR) of 1.01 times as on March 31, 2019. Going forward, the financial risk profile is expected to remain moderate.

Rating Sensitivity

- Scaling up of operations
- Sustenance of healthy operating profit margin at around 12-15 per cent

Material Covenant

None

Liquidity Position: Adequate

MIPL has adequate liquidity marked net cash accruals of Rs 0.38 crore as on 31 March, 2019 (Prov.), while its maturing debt obligations of Rs. 0.27 crore during the same period. The operations are working capital intensive in nature marked by GCA of 501 days as on 31 March, 2019 (Prov.) as against 389 days in the previous year. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	15.69	17.08	17.17
EBITDA	Rs. Cr.	1.91	1.69	1.83
PAT	Rs. Cr.	0.03	0.03	0.03
EBITDA Margin	(%)	12.19	9.92	10.66
PAT Margin	(%)	0.20	0.16	0.16
ROCE	(%)	8.31	8.14	16.41
Total Debt/Tangible Net Worth	Times	3.65	3.22	2.94
PBDIT/Interest	Times	1.25	1.25	1.41
Total Debt/PBDIT	Times	8.14	8.08	6.82
Gross Current Assets (Days)	Days	501	389	349

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

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities-<https://www.acuite.in/view-rating-criteria-4.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB/Stable (Assigned)
Proposed Corporate Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB/Stable (Assigned)

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About Acuité Ratings & Research:

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