



Press Release
OC SWEATERS LLP
August 03, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	42.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of **ACUITE B+ (read as ACUITE B Plus)** and short term rating of **ACUITE A4 (read ACUITE A Four)** on the Rs. 42.00 Cr bank facilities of O C Sweaters LLP. The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation takes into account the improving business risk profile of the firm marked with experienced management. The revenue from operations of the firm improved to Rs. 88.87 crore in FY2023 (Provisional) as against Rs. 69.43 crore in FY2022. Furthermore, the profitability of the firm witnessed continuous improvement over FY2021-23. The operating profit margin of the firm improved to (2.29) percent in FY2023 (Provisional) as against (11.70) percent in FY2022 and (20.63) percent in FY 21. Likewise, the firm reported Profit after Tax (PAT) of Rs. (4.50) crore in FY2023 (Provisional) as against Rs. (3.73) crore in FY2022 with minuscule improvement of 31 bps in PAT Margin which stood at (5.06) Percent in FY 23(Prov.) as against (5.37) percent in FY 22. The rating further draws comfort from the support received from partner in form additional capital infusion.

About the Company

OC Sweaters LLP (formerly known as Orient Craft Sweaters Pvt Ltd) was incorporated in July 2011 and is part of the Orient Craft Group. OC Sweaters LLP is a manufacturer of sweaters in India with capacity of producing 120,000-150,000 units a month and having gauge range from 4gg-12gg. Manufacturing facility is situated at IMT Manesar, Gurgaon spread into 4 acres of land with 165,000 sq ft. of covered area. Plant has 204 Stoll machines and 8 flat-hand machines. Post Covid' 19, OC Sweaters LLP also built its capacity into manufacturing of woven garments and has approximately 400 sewing machines with monthly capacity of 200,000 units. Mr. Sudhir Dhingra, Mr. Sahil Dhingra and Ms. Shilpa Dhingra are the managing partners in the company

Analytical Approach

Acuite has considered the standalone business and financial risk profile of O C Sweaters LLP to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters and management

Mr Sudhir Dhingra who is the promoter of Orient Craft Group, has over 46 years of experience in the business of textile manufacturing and exports. He is ably assisted by his daughter Ms Shilpa Dhingra who is heading the design department of OC Sweaters LLP and son Mr Sahil Dhingra who are partners in this firm. The management team has rich experience in the garment industry.

Business risk profile

Firm's revenue improved which is apparent from growth in revenue from operations by ~28% in FY2023 (Prov.) to Rs.88.87 crore as against Rs. 69.43 crore in FY2022. (overall ~155 percent increase in last three years FY 21 to FY 23) The increase in revenue is attributable to increase in prices. Firm has booked revenue of Rs~10.10 crore in first three months of FY 24. Expected revenue for FY 24 is Rs ~ 90 crore. Firm has current orders in hand of Rs ~84 crore to be executed in this financial year. Majority of the revenue is from export.

Operating profit margin of firm improved in FY 23 yet stood negative. Operating profit margin stood at (2.29) percent in FY 23(prov.) as against (11.70) percent in FY 22.Likewise net profit margin improved yet stood negative at (5.06) percent in FY 23(Prov.) as against (5.37) percent in FY 22.

Support from Partner

Partner of the firm have infused funds in the firm in the form of additional capital during FY 23 to support the liquidity and working capital requirements. Going forward it is expected that the promoters will infuse additional funds to support the business.

Weaknesses

Improved yet Negative Profitability Margins

Operating profit margin of firm improved in FY 23 yet stood negative. Operating profit margin stood at (2.29) percent in FY 23(prov.) as against (11.70) percent in FY 22.Likewise net profit margin improved yet stood negative at (5.06) percent in FY 23(Prov.) as against (5.37) percent in FY 22.

Financial Risk Profile- Weak

Firm has weak financial risk profile marked by low net worth and negative debt protection metrics. Firm's net worth stood at Rs 13.75 Cr as on 31st March 2023(Prov.) as against Rs. (0.55) Cr as on 31st March 2022.Networth improved on account of infusion of additional capital. In FY 23 Capital Addition was Rs 18.75 crore. Gearing of firm improved yet stood moderate at 1.63 times in FY 23 (prov.) in comparison to (38.11) times in FY 22. Improvement in gearing is on account of capital infusion by partner during the year.

Further, the interest coverage ratio stood negative at (0.86) times for FY2023 (Prov.) as against (3.36) times in FY2022. Debt Service coverage ratio stood was nil FY2023 (Prov.) as against 0.06 times in FY2022.However firm serviced its repayment obligations out of funds infused by partner during the year. Total outside liabilities to total net worth (TOL/TNW) stood at 3.05 times as on FY2023 (Prov.) vis-à-vis (105.87) times as on FY2022. Debt-EBITA stood at (10.37) times as on 31st March 2023 (Prov.) as against 3.10 times as on 31st March 2022.

Working capital operations

Firm has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 178 days in FY2023 (prov.) as compared to 229 days in FY2022. Intensiveness of the working capital is due to high debtor days and Inventory days. Debtor days stood at 72 days in FY2023 (71 days in FY2022). Inventory days improved by 13 days and stood at 82 days in FY2023 (Prov.) as against 95 days in FY2022. Current ratio of company stood low at 0.80 times as on March 31, 2023 (Prov.).

Rating Sensitivities

Infusion of additional funds by promoters to support the business.

Improvement in revenue and profitability going forward.

Significant Improvement in working capital management of the company resulting into improved liquidity

Material covenants

None

Liquidity Position

Stretched

Firm has stretched liquidity marked by negative net cash accruals, low Current Ratio, and high bank limit utilization. Firm generated cash accruals of Rs. (2.48) crore for FY2023 (Prov.) Nil debt obligations (term loan prepaid). Current Ratio stood low at 0.80 times as on 31 March 2023 (Prov.) as against 0.67 times in the previous year. Cash and Bank Balances of company stood at Rs 0.84 crore while fixed deposits stood at Rs 2.14 crore. Further Bank Limit Utilization in 12 months ended March 23 stood high at 99 percent.

Outlook: Stable

Acuité believes that OC Sweaters LLP will maintain a 'Stable' outlook over the medium term on account of the management's experience and established operations. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenues, profitability and liquidity profile of the company. Conversely, the outlook may be revised to 'Negative' in case of any further decline in revenue, profitability or liquidity of the company as a result of stretched working capital requirement.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	88.87	69.43
PAT	Rs. Cr.	(4.50)	(3.73)
PAT Margin	(%)	(5.06)	(5.37)
Total Debt/Tangible Net Worth	Times	1.63	(38.11)
PBDIT/Interest	Times	(0.86)	(3.36)

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
09 May 2022	Term Loan	Long Term	2.34	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Assigned)
	Proposed Long Term Loan	Long Term	14.66	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE B+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE B+ Stable 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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