



**Press Release**  
**OC SWEATERS LLP**  
**October 24, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE C   Downgraded	-
Bank Loan Ratings	15.00	ACUITE D   Downgraded	-
Bank Loan Ratings	10.00	-	ACUITE D   Downgraded
Total Outstanding Quantum (Rs. Cr)	42.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has downgraded its long-term rating to '**ACUITE D**' (read as **ACUITE D**) from **ACUITE B+** (read as **ACUITE B Plus**) on the Rs. 15.00 Cr. bank facilities of O C Sweaters LLP.

Acuite has also downgraded the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A Four**) on the Rs. 10.00 Cr. bank facilities of O C Sweaters LLP.

Acuite has downgraded its proposed long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE B+**' (read as **ACUITE B Plus**) on the Rs. 17.00 Cr. bank facilities of O C Sweaters LLP.

**Rationale for Downgrade**

The firm has a letter of credit facility, which was devolved on 29th January 2024 and regularized on 4th March 2024. During that period, there was a delay of about a week, according to the written feedback received from the banker. The management also admitted that it was due to paucity of funds at the time, there were delays in the payment during that time.

**About the Company**

Based in Delhi, O C Sweaters LLP (formerly known as Orient Craft Sweaters Pvt Ltd) was incorporated in July 2011 and is part of the Orient Craft Group. O C 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.

**Unsupported Rating**

Not Applicable

**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.

### **Weaknesses**

#### **Weak financial risk profile**

The weak financial risk profile of the firm marked by negative net worth, negative gearing levels, and negative debt protection metrics. The firm's net worth of the firm stood at Rs. (25.61) crore as of March 2024 (Provisional) as

against Rs. (12.29) crore as of March 31, 2023. The gearing of the firm stood below unity at (2.79) times as on March 31, 2024 (Provisional) as against (4.61) times as of March 31, 2023. The total outside liabilities/tangible net worth (TOL/TNW) stood at (3.70) times as of March 31, 2024 (provisional) as against (6.40) times as of March 31, 2023. The debt protection metrics of the firm remained strong marked by Interest Coverage Ratio (ICR) at (4.95) times and Debt Service Coverage Ratio (DSCR) of 4.95 times in FY2024 (Provisional). Acuite believes that the firm's financial risk profile will remain at an average level in medium term backed by steady cash accruals and absence of any major debt-funded capex plan.

#### **Working Capital Intensive nature of operations**

The working capital management of the firm is intensive in nature marked by improving but high Gross Current Asset (GCA) days of 346 days in FY2024 (Provisional) as compared to 221 days in FY23. This is due to the extended credit period provided to the buyer of the products. However, the inventory period stood at 112 days in FY2024 (Provisional). The creditor days stood at 119 days in FY24 Provisional as compared to 186 days in FY23. Acuite believes that the working capital cycle of firm will continue to remain intensive due to the prolonged collection mechanism.

#### **Delays in servicing term debt obligations**

The firm has a letter of credit, which was devolved in 29th January 2024 which was regularized on 04th March, and there was a delay of 34-35 days. The management also admitted that due to paucity of funds, there were delays in the payment in the month of January.

#### **Rating Sensitivities**

- Timely servicing of term debt obligations

#### **Liquidity Position**

##### **Poor**

The firm has a letter of credit, which was devolved in 29th January 2024 which was regularized on 04th March, and there was a delay of 34-35 days. The management also admitted that due to paucity of funds, there were delays in the payment in the month of January.

#### **Outlook: Not Applicable**

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	61.33	88.86
PAT	Rs. Cr.	(13.32)	(6.03)
PAT Margin	(%)	(21.72)	(6.79)
Total Debt/Tangible Net Worth	Times	(2.79)	(4.61)
PBDIT/Interest	Times	(4.95)	(1.16)

### 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>
- 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, 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
03 Aug 2023	Proposed Long Term Loan	Long Term	17.00	ACUITE B+   Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE B+   Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed)
09 May 2022	Letter of Credit	Short Term	10.00	ACUITE A4 (Assigned)
	Proposed Long Term Loan	Long Term	14.66	ACUITE B+   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE B+   Stable (Assigned)
	Term Loan	Long Term	2.34	ACUITE B+   Stable (Assigned)

# Annexure - Details of instruments rated

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

## Contacts

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### About Acuité Ratings & Research

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