



Press Release
OC SWEATERS LLP
October 25, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE B- Stable Upgraded	-
Bank Loan Ratings	10.00	-	ACUITE A4 Upgraded
Total Outstanding Quantum (Rs. Cr)	42.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating of 'ACUITE B-' (read as ACUITE B minus) from 'ACUITE D' (read as ACUITE D) and 'ACUITE C' (read as ACUITE C) on the Rs. 32.00 Cr. bank facilities of O C Sweaters LLP. The outlook is 'Stable'.

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

Rationale for rating

The rating upgraded is primarily driven by the regularization of the LC and as per the banker the account is now satisfactory, decline in business risk profile of the firm marked with deterioration in profitability margin and stretched liquidity profile. However, the rating continues to reflect the experienced promoters and management.

About the Company

Delhi based, 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.

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

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.

Rating Sensitivities

- Improvement in financial risk profile
- Improvement in business risk profile
- Working capital Cycle

Liquidity Position

Stretched

The firm has stretched liquidity marked by negative net cash accruals, low Current Ratio, and high bank limit utilization. Firm generated cash accruals of Rs. (11.37) crore for FY2024 (Prov.) Nil debt obligations (term loan prepaid) last year. Current Ratio stood at 1.12 times as on 31 March 2024 (Prov.) as against 0.95 times in the previous year. Cash and Bank Balances of firm stood at Rs 0.61 crore. Further Bank Limit Utilization in 07 months ended August 2024 stood high at 100 percent. Acuite believes that the liquidity position of the firm will remain stretched on account of modest scale of operations.

Outlook: Stable

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Oct 2024	Letter of Credit	Short Term	10.00	ACUITE D (Downgraded from ACUITE A4)
	Proposed Long Term Loan	Long Term	17.00	ACUITE C (Downgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	15.00	ACUITE D (Downgraded from ACUITE B+ Stable)
03 Aug 2023	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Proposed Long Term Loan	Long Term	17.00	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE B+ Stable (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 B- Stable Upgraded (from ACUITE D)
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 A4 Upgraded (from ACUITE D)
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 B- Stable Upgraded (from ACUITE C)

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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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