



## Press Release

### ISHMAN INTERNATIONAL October 09, 2023 Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.75	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	10.00	-	ACUITE A3   Assigned
Total Outstanding Quantum (Rs. Cr)	47.75	-	-

## Rating Rationale

Acuite has assigned its long term rating of **"ACUITE BBB-" (read as ACUITE TRIPLE B MINUS)** and short term rating of **"ACUITE A3" (read as ACUITE A THREE)** on the bank facilities of Rs.47.75 Crore of Ishman International. The outlook is 'Stable'.

## Rationale for rating

The assigned rating reflects the experience of the promoters and track record of operations of the firm of more than three decades in the readymade garment industry. The rating also factors in the improvement in business risk profile marked by growth in the revenues in FY23 which stood at Rs.114.68 Crore as against Rs 85.07 Cr in FY22. The rating also considers the longstanding relationship of the firm with New Look Retailers Limited which is a chain of high street fashion in UK, Punto F.A.S.L., River Island clothing Co. Limited to name a few. Further, the financial risk profile of the firm is also healthy in the absence of any long term debt with a gearing stood below unity as on 31 March, 2023(Prov). However, the above mentioned strengths are partly off-set by the intensive working capital operations of the firm due to high debtor days of 151 days as on 31<sup>st</sup> March, 2023(Prov) and this risk however, will be mitigated to some extent as the approximately 97% of debtors are under 90 days. Apart from this, the rating is also constrained by highly competitive industry which will be a key sensitivity factor.

## About the Company

Ishman International is a partnership firm promoted by Mr. Munish Arora and Mr. Ish Arora. It was established in 1990 and began commercial operations and incorporated in 1991. The firm's head office is located in Delhi, and it has 6 manufacturing units in Noida. The firm is engaged in the manufacturing and export of readymade garments such as skirts, T-shirts, trousers etc for women and children. It specialises in woven garments. The products are exported mainly to European countries such as the UK, Spain, and France.

## Standalone (Unsupported) Rating

Not Applicable

## Analytical Approach

Acuite has considered the standalone business and financial risk profile of ISHMAN INTERNATIONAL to arrive at this rating.

## Key Rating Drivers

## **Strengths**

Experienced management and Established track record of operations

The firm was incorporated in 1991. The partners of the firm are Mr. Munish Kumar Arora and Mr. Ish Kumar Arora who possess over more than three decades of experience in readymade garments industry. The experience of the partners, has aided the firm in forming healthy relations with its prominent customer's clothing brands such as Mango, Elcorte etc as the firm is having geographical presence in European countries such as UK, Spain and France. Firm is able to maintain a longstanding relationship with customers namely New Look Retailers Limited which is a chain of high street fashion in UK, Punto F.A.S.L., River Island clothing Co. Limited to name a few.

Acuité believes that the firm will continue to benefit through the partner's industry experience and established track record along with a longstanding relationship with reputed clients and brands over the medium term.

### **Augmentation in Business risk profile**

The firm have witnessed an increase in the top-line which stood at Rs.114.68 Crore in FY23 (Prov) against Rs.85.07 Crore in FY22 and Rs.57.24 Crore in FY21. Further, the pandemic has impacted the business profile of the firm which brought volatility in the operational performance as the firm had achieved revenue of Rs 105.93 Crore in FY20. The increase in the sales is on an account of increase in the production in all past three years. Also, the margins of the firm attributable to volatility in raw material prices, which impacted the EBITDA margins of the firm which stood at 9.79% in FY23 (Prov) against 11.33% in FY22. The PAT margins of the firm stood at 8.83% in FY23 (Prov) against 9.35% in FY22. Going forward, the firm is expected to increase its capacity utilization available which will ultimately result into increase in the top-line of the firm along with better margins. Further, the firm is having an order book of approximately Rs.96 Crore including the pipeline orders to be executed in current financial year(FY24) which provides the revenue visibility over the medium term.

### **Healthy Financial Risk Profile**

The financial risk profile of the firm is healthy marked by strong net-worth, above average gearing and debt protection metrics. The net worth of the firm stood at Rs.63.00 Crore as on 31st March 2023 (Prov) as against Rs.55.47 Crore as on 31st March 2022. The increase in the net worth is majorly due to accumulation of profits in reserves. The total debt of the company stood at Rs.42.92 Crore as on 31st March 2023 (Prov) against Rs.29.33 Crore as on 31st March 2022. The firm follows a conservative financial policy reflected through its peak gearing (debt/equity) of 0.73 times as on 31<sup>st</sup> March 2023 (Prov). The gearing of the firm is below unity which stood at 0.73 times as on 31st March 2023 (Prov) against 0.53 times as on 31st March 2022 and 0.21 times as on 31<sup>st</sup> March 2021. The TOL/TNW ratio stood at 0.99 times as on 31st March 2023 (Prov) against 0.88 times as on 31st March 2022. The interest coverage and debt service coverage ratio of the firm stood above average at 8.28 times respectively as on 31st March 2023 (Prov) as against 13.64 times respectively as on 31st March 2022.

Acuite believes that financial risk profile of the firm is likely to improve going forward with no debt-funded capex plans and absence of long term debt along with steady cash accruals.

### **Weaknesses**

#### **Working Capital Intensive Operations**

The working capital operations of the firm is intensive marked by high GCA days which stood at 304 days as on 31st March 2023 (Prov) against 323 days as on 31<sup>st</sup> March 2022. The GCA days are higher on an account of the high debtor days which stood at 151 days as on 31st March 2023 (Prov) against 142 days as on 31<sup>st</sup> March 2022. The high debtors are due to major sales being done in the last quarter of the year. Hence, this risk is mitigated to some extent as the approximately 97% of debtors are under 90 days, and further the firm's dependence on external borrowing is not on higher side. Further, the inventory days of the firm stood at 133 days as on 31st March 2023 (Prov) against 121 days as on 31<sup>st</sup> March 2022. On the other hand, the creditor days of the firm stood at 183 days as on 31st March 2023 (Prov) against 207 days as on 31<sup>st</sup> March 2022.

Acuite believes that ability of the firm to efficiently manage the working capital operations will remain a key sensitivity factor.

## **Highly competitive industry and susceptibility of margins to volatility in raw material prices**

The garment industry is a highly fragmented industry and presence of large number of organised and unorganised players has created high competition in the industry. Entity faces competition from large players as well as numerous players in the unorganised segment. Further, operating and profitability margins are expected to remain susceptible to fluctuations in the raw material prices.

## **Rating Sensitivities**

- Significant improvement in scale of operations while maintaining profitability margins
- Any further deterioration in working capital management.

## **All Covenants**

Not applicable.

## **Liquidity Position Adequate**

The liquidity profile of the firm is adequate. The firm has generated net cash accruals of Rs.11.11 Crore as on 31st March 2023 (Prov) against the debt repayment obligations of almost nil as firm does not have any long term borrowings. Going forward, the firm is expected to generate sufficient net cash accruals against nil repayment obligation in near to medium term. Further, the current ratios of the firm stood at 1.59 times as on 31st March 2023 (Prov) against 1.61 times as on 31<sup>st</sup> March 2022. The unencumbered cash and bank balance of the firm stood at Rs.2.04 Crore as on 31<sup>st</sup> March 2023. The average bank limit utilization of the firm stood at 63.50% in last six months ending August 2023.

Acuite believes that liquidity position of the firm is likely to remain adequate over the medium term supported by steady cash accruals and moderate dependence on bank borrowings.

## **Outlook: Stable**

Acuite believes that firm will maintain 'Stable' outlook over the medium term on account of a long track record of operations and experienced management in the industry and a healthy longstanding relationship with its customers. The outlook may be revised to 'positive' if the firm registers higher-than-expected growth in its revenues and profitability or further improves its capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case firm registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration in its financial risk profile and liquidity position.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	114.68	85.07
PAT	Rs. Cr.	10.12	7.95
PAT Margin	(%)	8.83	9.35
Total Debt/Tangible Net Worth	Times	0.73	0.53
PBDIT/Interest	Times	8.28	13.64

### 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>
- 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](http://www.acuite.in)

### Rating History :

Not Applicable

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	8.80	ACUITE A3   Assigned
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	37.75	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.20	ACUITE A3   Assigned

Proposed bank facilities are forward contracts from Canara Bank.

## Contacts

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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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