



Press Release
Ishman International
December 17, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	17.75	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	47.75	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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

In FY2024, the firm achieved sales of Rs. 142.65 Crore, up from Rs. 116.13 Crore in FY2023, driven by new customer orders and higher export volumes. Despite a slight decline in EBITDA and PAT margins due to raw material price volatility and increased costs, the firm's financial risk profile remains moderate with improved net worth, reduced debt, and adequate liquidity. The working capital operations are intensive, with high debtor days though inventory management has improved. The firm has an adequate liquidity position, supported by strong net cash accruals and low bank limit utilization. The financial risk profile is expected to remain stable, with no planned debt-funded capital expenditures in the near term.

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 is engaged in the manufacturing and export of readymade garments such as skirts, T-shirts, trousers etc for women and children. The products are exported mainly to European countries such as the UK, Spain, and France.

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. 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.

Improvement in the operational performance

The firm witnessed an increase in the topline of the firm stood at Rs. 142.65 Crore in FY2024 against Rs. 116.13 Crore in FY2023. The increase in the sales is on an account of new customer orders and higher volumes exported. Also, the margins of the firm attributable to volatility in raw material prices, which impacted the EBITDA margins of the firm and stood at 9.94 % in FY2024 against 10.87 % in FY2023. Due to outsourcing, the administrative and employee costs have also risen. The PAT margins of the firm stood at 8.10 % in FY2024 against 8.72 % in FY2023. Going forward, the firm is expected to increase the capacity utilization available which will result in increase in topline of the firm. In addition, the firm has an order book of ~Rs.90 Crore out of which ~80% will be executed in current financial year.

Moderate Financial risk profile

The financial risk profile of the company is moderate marked by moderate net-worth, gearing and debt protection metrics. The net worth of the company stood at Rs. 78.80 Crore as on FY2024 against Rs. 63.00 Crore as on FY2023 due to accretion of reserves. Further, total debt of the firm stood at Rs. 37.87 Crore as on FY2024 against Rs. 45.79 Crore as on FY2023. The gearing ratio of the firm is below unity stood at 0.48 times as on FY2024 against 0.73 times as on FY2023. The Interest coverage ratio and debt service coverage ratio of firm, each stood at 8.47 times in FY2024 against 8.28 times in FY2023. The TOL/TNW ratio stood at 0.75 times as on FY2024 against 0.99 times as on FY2023. Acuite believes that financial risk profile of the firm will remain in the same range in near future as company is not planning to go for any debt-funded capex in near to medium term.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the firm are highly intensive marked by GCA days which stood at 275 days as on FY2024 against 300 days as on FY2023. The GCA days are higher on an account of the high debtor days which stood at 149 days as on FY2024 against 146 days as on FY2023. The inventory days of the firm stood at 96 days as on FY2024 against 133 days as on FY2023. On the other hand, the creditor days of the firm stood at 115 days as on FY2024 against 133 days as on FY2023. Acuite believes that working capital operations of the firm will remain a key sensitive 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

Change in scale of operations while maintaining profitability margins
Working capital management
Any debt funded capex plans

Liquidity Position

Adequate

The liquidity profile of the firm is adequate. The firm has generated net cash accruals of Rs. 12.52 crore as on FY2024. Further, the current ratio of the firm stood at 1.89 times as on FY2024 against 1.60 times as on FY2023. The unencumbered cash and bank balance of the firm stood at Rs. 0.58 crore as on FY2024. The average bank (Canara bank) limit utilization of the firm stood at ~31% in last six months ending October 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	142.65	116.13
PAT	Rs. Cr.	11.56	10.12
PAT Margin	(%)	8.10	8.72
Total Debt/Tangible Net Worth	Times	0.48	0.73
PBDIT/Interest	Times	8.47	8.28

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

Not Applicable

Any other information

None

Applicable Criteria

- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
09 Oct 2023	Bills Discounting	Short Term	8.80	ACUITE A3 (Assigned)
	Proposed Short Term Bank Facility	Short Term	1.20	ACUITE A3 (Assigned)
	PC/PCFC	Long Term	37.75	ACUITE BBB- 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
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.75	Simple	ACUITE A3 Reaffirmed

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About Acuité Ratings & Research

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