



Press Release
MAGSONS EXPORTS
August 09, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BB-'** (read as **ACUITE double B minus**) on the Rs. 25.00 Crore bank facilities of Magsons Exports. The outlook is '**Stable**'.

Rationale for Rating

The assigned rating takes into consideration the extensive experience of management and established track record of operations in the industry of more than 4 decades. The rating further factors in an improvement in the operational performance of the firm. However, the above mentioned strengths are partly-off set by the intensive working capital operations of the firm and higher dependence upon the external short term borrowings resulted into higher utilisation which stood at approximately 99% of packing credit and 62.48% in last ten months ending June 2024 and customer concentration risk. Further, susceptibility of profitability to fluctuations in input prices will remain a key sensitivity factor.

About the Company

Magsons Exports is a Delhi based partnership firm established in 1976. Partners of the firm are Mr.Virender Magu, Mrs. Aarti Magu and Mr Ansh Magu. The firm is engaged in manufacturing and export of Woven & Knitted Readymade Garments.

Unsupported Rating
Not Applicable

Analytical Approach

Acuite has taken the standalone view on the business and financial risk profile of Magsons Exports to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Magsons Exports is engaged in manufacturing and exporting of garments. It has an established operational track record of over four decades. The operations of the firm are being managed by Mr. Virender Magu, Mrs. Aarti Magu and Mr. Ansh Magu. They are being supported by the team of experienced professionals in managing day to day operations. The extensive experience of the promoters has enabled entity to establish a healthy relationship with its customers and suppliers. The firm is having a long standing relationship with reputed clienteles namely Blue Star imports Lp, G-lit Apparel Group Limited etc. Also the firm is having an outstanding order book position of Rs 25.00 Cr. as on date which will be executed by September 2024 providing a revenue visibility over the medium term.

Scale of operations

The firm has achieved a revenue of Rs. 88.90 Crore in FY24(Prov) against Rs.103.48 Crore in FY23. The sales of the firm were impacted in FY24 (Prov) on an account of slowdown in textile industry, in results the operating income went down by 14.10% in FY24(Prov) as compared to FY23. However, the realization on each volume sold is increasing on y-o-y basis and is expected to improve in near to medium term. Further, the operating margins of the firm stood at 7.16% in FY24(Prov) against 6.60% in FY23. Also, the PAT margins of the firm stood at 2.74% in FY24(Prov) against 2.81% in FY23. Further, the firm is having an order book of approximately Rs.25.00 Crore which will be executed by September 2024. Going forward, the firm is expected to register the revenue of more than Rs.100 Crore in near to medium term.

Weaknesses

Working capital intensive operations

The working capital operations of the firm is intensive marked by GCA days which stood at 242 days as on 31st March 2024 (Prov) against 194 days as on 31st March 2023. The GCA days are higher on an account of increase in the inventory days which stood at 156 days as on 31st March 2024 (Prov) against 103 days as on 31st March 2023 and the debtor days of the firm stood at 70 days as on 31st March 2024 (Prov) against 66 days as on 31st March 2023. On the other hand, the creditor days of the firm which stood at 89 days as on 31st March 2024 (Prov) against 75 days as on 31st March 2023. Acuite believes that working capital operations of the firm is expected to remain in the same range on an account of nature of operations.

Average Financial Risk Profile

The financial risk profile of the firm is average marked by net-worth of Rs.16.58 Crore as on 31st March 2024 (Prov) against Rs.14.16 Crore as on 31st March 2023. The net-worth of the firm has increased on an account of accumulation of profits in reserves. Further, the total debt of the firm stood at Rs.43.90 Crore as on 31st March 2024 (Prov) against Rs.42.28 Crore as on 31st March 2023. The gearing of the firm is also moderate stood at 2.65 times as on 31st March 2024 (Prov) against 2.98 times as on 31st March 2023. The coverage indicators of the firm are moderate reflected by interest coverage ratio and debt service coverage ratio which stood at 1.89 times for both as on 31st March 2024 (Prov) against 2.33 times as on 31st March 2023. The TOL/TNW ratio of the firm is also stood at 3.48 times as on 31st March 2024 (Prov) against 3.90 times as on 31st March 2023. Acuite believes that going forward the financial risk profile of the firm is likely to be sustained backed by steady accruals and no major debt funded capex plans

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

The garment industry is a highly fragmented industry including its vulnerability to volatile market trends and fluctuating consumer preferences. This sector is heavily reliant on global supply chains, making it susceptible to disruptions from geopolitical tensions, trade tariffs, 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

- Improvement in revenue and profitability going forward.
- Elongation in working capital cycle resulting in stretch of liquidity.

Liquidity Position Stretched

The liquidity profile of the firm is stretched. The average bank limit utilization of Packing Credit Limit and bill discounting stood at 99.91% and 62.48% respectively in last ten months ended June 2024. The firm is having cash and bank balance of Rs. 0.69 Crore as on 31st March 2024 (Prov) against Rs. 4.03 Crore in FY23 along with an investment of Rs. 7.38 Crore as on 31st March 2024 (Prov) against Rs. 6.49 Crore as on 31st March 2023. However, the net cash accruals of Rs. 3.20 Crore in FY24 (Prov) against the debt repayment obligation of Rs. 0.64

Crore in the same period. Going forward, the firm is expected to generate sufficient net cash accruals against the debt repayment in near to medium term. The current ratio of the firm stood at 1.28 times as on 31st March 2024 (Prov) against 1.26 times as on 31st March 2023.

Outlook: Stable

Acuité 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. The outlook may be revised to 'positive' if the Company 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 ME 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	88.90	103.48
PAT	Rs. Cr.	2.44	2.91
PAT Margin	(%)	2.74	2.81
Total Debt/Tangible Net Worth	Times	2.65	2.98
PBDIT/Interest	Times	1.89	2.33

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

Not Applicable

Any other information

None

Applicable Criteria

- 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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB- Stable Assigned
Canara Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BB- Stable Assigned

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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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