

Press Release

Registan Exports (RE)

June 03, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.50 Crores
Long Term Rating	ACUITE B/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 13.50 crore bank facilities of REGISTAN EXPORTS. The outlook is 'Stable'.

Based out of Jaipur, Registan Exports (RE) was established as a proprietorship firm in 1990 by Mr. Akash Gupta and later was converted into a partnership firm in 1994. The firm is engaged in manufacturing and exports of women and kids apparels. In the domestic market, RE caters only to Reliance retail and in addition to that a considerable portion of their revenue is generated by the exports of their products overseas to countries like the USA, France and Spain to name a few. The manufacturing plant has an installed capacity of 12 lakh pieces per annum and the facilities are utilized to the extent of 45-50 percent.

Analytical Approach

The team has taken a standalone view of the business and financial risk profile of REGISTAN EXPORTS to arrive at this rating.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

Registan Exports has nearly three decades of presence in the garments business. Mr. Akash Gupta has been associated with the firm since its inception. Their high quality of products enables them to maintain long standing relations with their clients and get orders overseas, which contributes majorly to their revenues.

Weaknesses

- **Foreign Exchange Exposure**

Registan Exports generates a large portion of its revenues by exporting its products overseas to countries like USA, France and Spain to name a few thus the business is vulnerable to exchange rate fluctuations and fragile macroeconomic stability. The firm hedges its exposure by keeping a margin in transactions.

- **Working capital intensive operations:**

The working capital management is intensive marked by Gross Current Assets (GCA) of 256 days in FY2018 as against 248 days in FY2017. The firm maintained inventory holding period of 126 days and debtors collection period stood at 118 days in FY2018 as against 115 days and 128 days in FY2017, respectively. Creditors payment period stood high at 208 days in FY2018.

• Below Average Financial Risk Profile:

The financial risk profile of RE remained below average marked by its below average net worth, NCA/TD and Debt/EBITDA. The net worth of the firm stood at Rs.2.22 crore on 31 March 2018 as against Rs.2.15 crore on 31 March 2017. The gearing (debt-equity) stood at 2.92 times on 31 March 2018 as against 2.24 times on 31 March 2017. The total debt of Rs.6.49 crore as on 31 March 2018. Interest Coverage Ratio (ICR) reduced from 2.54 times for FY2017 to 1.98 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.07 times in FY2018 and 0.08 times in FY2017. Debt to EBITDA improved and stood at 6.84 times in FY2019 as against 7.45 times in FY2018.

Liquidity Profile:

RE has average liquidity marked by average net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 0.44 crore for FY2018 while its maturing debt obligations were Rs. 0.08 crore for the same period. The firm's working capital operations are intensive marked by gross current asset (GCA) days of 256 days for FY2018. The current ratio stands at 1.25 times as on 31 March 2018. Further, the revenue for the year 2019 as per the year to date is Rs. 10.14 crores as against Rs. 12.59 crore in the previous year. Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that RE will continue to benefit over the medium term from the promoters experience. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales while improving its liquidity. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve growth in revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.59	9.46	8.45
EBITDA	Rs. Cr.	0.93	0.62	0.47
PAT	Rs. Cr.	0.07	0.03	0.03
EBITDA Margin	(%)	7.39	6.56	5.51
PAT Margin	(%)	0.54	0.29	0.40
ROCE	(%)	7.37	5.05	7.25
Total Debt/Tangible Net Worth	Times	2.92	2.24	1.03
PBDIT/Interest	Times	1.98	2.54	3.91
Total Debt/PBDIT	Times	6.84	7.45	4.96
Gross Current Assets (Days)	Days	256	248	157

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.43	ACUITE B / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.19	ACUITE B / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.09	ACUITE B / Stable (Assigned)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	7.79	ACUITE B / Stable (Assigned)
EBP/EBD/EBN*	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 / Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 / Stable (Assigned)

*100% Interchangeability allowed between PC, EBP/EBD/EBN and Packing Credit.

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Nikhilesh Pandey Rating Analyst - Rating Operations Tel: 011-4973 1312 nikhilesh.pandey@acuiteinratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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