

## Press Release

### Registan Exports

October 07, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE B+   Stable   Reaffirmed	-
Bank Loan Ratings	7.50	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	13.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE B+' (read as ACUITE B plus) and reaffirmed the short-term rating of 'ACUITE A4' (read as ACUITE A four) on the Rs. 13.50 crore bank facilities of Registan Exports (RE). The outlook is 'Stable'.

The rating reaffirmation takes into account the steady business risk profile of the company marked by increasing revenue trend and better geographic exposure. The rating also factors the experienced management in the fabric manufacturing industry and the company's established track record in the fabric export business, the average financial risk profile characterized by low albeit improving net worth. However, these strengths are offset by the declining profitability margins, working capital intensive management and intense competition in the industry.

### About the Company

Established in 1990, Registan Exports (RE) is a Jaipur (Rajasthan) based partnership firm, engaged in the business of manufacture and exports of women and kids apparels. The firm is currently exporting to several countries mainly USA, UK, Europe, Middle East, Africa and Australia. Currently, the firm is headed by Mr. Akash Gupta, Mrs Anita Gupta and Harshal Gupta.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of RE to arrive at the rating.

### Key Rating Drivers

#### Strengths

**Experienced management and established relationship with customers**

Established in 1990, the firm has been operational for more than three decades. The key

promoters, Mr Akash Gupta and Mrs Anita Gupta have more than 3 decades of experience in the textile business and is ably assisted by the second-generation director Mr. Harshal Gupta. The long-standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with key suppliers and reputed customers across the continents. There has been continuous capital infusion since last 3 years ending FY22 to support the working capital requirements of the firm by the promoters. Acuité derives comfort from the long experience of the management and believes this will benefit the firm going forward, resulting in steady growth in the scale of operations.

### **Moderate scale of operations**

The business risk profile is marked by moderate scale of operations. Revenues in FY2022 improved to over Rs. 20.81 Cr. compared to Rs. 8.28 Cr. in FY2021. However, the profitability margins declined due to increase in raw material prices. Volatility in cotton prices, and limited ability to pass on any sharp increase in the raw material price to customers because of the intense competition in the industry, expose RE to price risk. Therefore, EBITDA margin declined to 7.01 per cent in FY22 from 9.85 per cent in FY21. PAT margin also remained thin at only 0.19 per cent. However, the RoCE remained modest at 8.11 per cent in FY22 as compared to 4.31% in FY21. Moreover, the company had registered revenues of Rs. 15 Cr. till August 2022. The capacity utilization also improved in FY22. Further, the company has increased the capacity by 250000 units in FY23. RE has an unexecuted order book position of around Rs. 17.44 Cr as on 31st August, 2022 which is expected to be executed in H2FY23, providing moderate revenue visibility over the medium term.

### **Weaknesses**

#### **Average financial risk profile**

The firm's average financial risk profile is marked by low albeit improving net worth, modest gearing and moderate debt protection metrics. The tangible net worth of the firm increased to at Rs. 4.13 Cr as on 31st March, 2022 from Rs.3.30 Cr as on 31st March, 2021. Gearing of the firm improved to 2.16 times as on 31st March, 2022 as compared to 2.49 times as on 31st March, 2021. The company has incurred regular capex for increasing the machineries. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.71 times as on 31st March, 2022 as against 3.00 times as on 31st March, 2021. The moderate debt protection metrics of the firm is marked by Interest Coverage Ratio (ICR) at 1.58 times as on March 31, 2022 and Debt Service Coverage Ratio at 1.37 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on 31st March, 2022. Acuité believes that financial risk profile is expected to be moderate over the medium term with no major debt funded capex plans.

#### **Working capital intensive nature of operations**

The working capital-intensive nature of operations of the firm is marked by high Gross Current Assets (GCA) of 263 days as on March 31, 2022, even though improved as against 397 days as on March 31, 2021. The inventory period improved to 138 days as on March 31, 2022 as compared to 306 days as on 31st March 2021 on account of improved efficiency of inventory management. However, the debtor days stood high at 119 days as on 31st March, 2022 against 99 days in the previous year. Going forward, Acuité believes that the working capital management of the firm will remain at similar levels as evident from moderate collection mechanism and high inventory levels over the medium term.

#### **Intense competition on account of fragmented industry structure.**

RE faces stiff competition from established organised and unorganised players in the industry during the last few years. During the last few years, competition in the textile industry has increased with several new players entering the fray, thereby exerting pressure on its revenues and margins. Further, its profitability also remains vulnerable to the government incentives in

the form of interest subsidies, and duty drawback scheme, which currently provide sizeable support to its profitability. Any adverse change in the incentive structure may negatively impact its profitability.

### Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Elongation of working capital cycle

### Material covenants

None,

### Liquidity position: Adequate

The firm's liquidity position is adequate marked by comfortable current ratio at 1.51 times as on March 31, 2022 as compared to 1.81 times as on 31<sup>st</sup> March, 2021. The net cash accruals stood at Rs.0.53 Cr in FY2022 as against long term debt repayment of Rs.0.15 Cr. The fund-based limit remained moderately utilised at 75.33 per cent over six months ended August, 2022. The cash and bank balances of the firm stood at Rs.0.04 Cr in FY2022 as compared to Rs. 0.03 Cr in FY2021. The working capital-intensive nature of operations of the firm is marked by Gross Current Assets (GCA) of 263 days as on March 31, 2022 as against 397 days as on March 31, 2021. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals

### Outlook: Stable

Acuité believes that the outlook on RE will remain 'Stable' over the medium term on account of the experience of the promoters and adequate liquidity position. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management.. Conversely, the outlook may be revised to 'Negative' in case of further decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile or further elongation in its working capital cycle.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	20.81	8.28
PAT	Rs. Cr.	0.04	0.03
PAT Margin	(%)	0.19	0.42
Total Debt/Tangible Net Worth	Times	2.16	2.49
PBDIT/Interest	Times	1.58	1.94

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

None

### Any other information

None

### Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jul 2021	Cash Credit	Long Term	3.60	ACUITE B+   Stable (Upgraded from ACUITE B)
	Term Loan	Long Term	2.50	ACUITE B+   Stable (Upgraded from ACUITE B)
	Bills Discounting	Short Term	0.90	ACUITE A4 (Reaffirmed)
	Short Term Loan	Short Term	5.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.20	ACUITE B+   Stable (Upgraded from ACUITE B)
	Packing Credit	Short Term	1.30	ACUITE A4 (Reaffirmed)
18 Aug 2020	Proposed Bank Facility	Long Term	7.79	ACUITE B (Issuer not co-operating*)
	Bills Discounting	Short Term	1.50	ACUITE A4 (Issuer not co-operating*)
	Packing Credit	Short Term	2.00	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	0.43	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	0.09	ACUITE B (Issuer not co-operating*)
	Cash Credit	Long Term	1.50	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	0.19	ACUITE B (Issuer not co-operating*)
03 Jun 2019	Cash Credit	Long Term	1.50	ACUITE B   Stable (Assigned)
	Bills Discounting	Short Term	1.50	ACUITE A4 (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Term Loan	Long Term	0.19	ACUITE B   Stable (Assigned)
	Proposed Bank Facility	Long Term	7.79	ACUITE B   Stable (Assigned)
	Term Loan	Long Term	0.43	ACUITE B   Stable (Assigned)
	Term Loan	Long Term	0.09	ACUITE B   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A4   Reaffirmed
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B+   Stable   Reaffirmed
Central Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE A4   Reaffirmed
Central Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4   Reaffirmed
Central Bank of India	Not Applicable	Term Loan	15-06-2019	9.10	31-03-2025	0.50	ACUITE B+   Stable   Reaffirmed

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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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