



Press Release

Ess and Bee International March 01, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Short Term Bank Facility	6.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	6.00	Rupees Six Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned short-term rating of IVR A4 for the bank loan facilities of Ess and Bee International.

The rating draws comfort from its experienced proprietor, modest profitability margins, comfortable capital structure and debt protection metrics. However, these strengths are partially offset by small scale of operations, elongated operating cycle, nature of constitution, and exposed to intense competition in the highly fragmented Indian textile industry.

IVR has principally relied on the standalone audited financial results of the firm upto 31 March 2022 and projected financials for FY23, FY24 and FY25, and publicly available information/clarifications provided by the entity's management.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of business with sustenance of profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Proprietor

The firm is promoted by Mr. Laxmi Narain Yadava who is the sole proprietor of the firm. He has more than 50 years of experience in textile industry. Mr. Laxmi Narayan Yadav looks after the overall operations of the firm. Infomerics believes that the rich experience of the proprietor is expected to support in further improvement and diversification of its business risk profile of firm in the coming years.

Modest profitability margins

Despite the small scale of operations, profitability margins remained moderate for the past 3 years ending March 31, 2022. EBITDA margin remained in-line with past trend and stood at 10.04% in FY22 (10.18% in FY21). Moreover, PAT margin has improved in FY22 and stood at 6.10% (5.50% in FY21).

Comfortable Capital Structure and Debt Protection Metrics

The firm's capital structure has improved and stood comfortable on account of modest adjusted net worth of Rs 10.14 crore as on March 31, 2022 (Rs 3.51 crore in FY21). The overall gearing remains comfortable to 0.67x in FY22 (0.61x in FY21). Total indebtedness of the firm as reflected by the TOL/TNW improved from 2.27x in FY21 to 1.45x in FY22 driven by steady accretion of profits to reserves. The debt protection metrics of the firm remained comfortable over the years. The interest coverage ratio remained comfortable at 9.23x as on March 31, 2022 (7.05x as on March 31, 2021). The debt protection metrics are likely to remain comfortable over the medium term.

Key Rating Weaknesses

Small scale of operations

The firm's has small scale of operations which remained stable for the last three year. The total operating income improved from Rs. 13.44 crore in FY21 to Rs. 17.08 crore in FY22.



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Elongated operating cycle

The firm has elongated operating cycle of 74 days (PY: 30 days) with 112 days (PY: 69 days) of collection period and 93 days (PY: 93 days) of creditors period in FY22. The firm maintains an inventory of raw material (fibre) for 54 days in FY22. This elongation is on account of increase in receivable days, inventory days in FY22.

Nature of Constitution

Being a proprietorship concern, Ess and Bee International restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of proprietor.

Exposed to intense competition in the highly fragmented Indian textile industry

The textile industry segment is characterised by high levels of fragmentation and low entry barriers across the value chain. The firm faces stiff competition in the domestic market and from other upcoming players because of lower production costs, ease-of-doing-business, and availability of cheap labour.

Analytical Approach: For arriving at the ratings, IVR has analysed ESS and BEE's credit profile by considering the standalone financial statements of the firm.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The firm has adequate liquidity marked with no long term debt obligation in FY22. Further, the firm has sufficient cushion in cash accruals in the range of Rs.1.40- 1.70 crore as against its nil debt repayment obligation. Moreover, the firm's fund-based working capital limits for last 12 months ending December 2022 stood at ~54.00% indicating sufficient cushion available in



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case of adversities. The firm has unencumbered cash & bank balances which stood at Rs.0.30 crore as on March 31, 2022.

About the Company

Ess And Bee International is a proprietorship firm, based in Gurugram, Haryana. The firm came into existence on December 11, 1986. The firm is a manufacturer and exporter of readymade garments. The manufacturing facility is located at Gurgaon, Haryana.

Financials (Standalone):

For the year ended*	(Rs. Crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	13.44	17.08
EBITDA	1.37	1.72
PAT	0.75	1.06
Total Debt	2.13	6.84
Tangible Net worth	3.51	10.14
EBITDA Margin (%)	10.18	10.04
PAT Margin (%)	5.50	6.10
Overall Gearing Ratio (x)	0.61	0.67

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (March 01, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Packing Credit	Short Term	6.00	IVR A4	-	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Facility-Packing Credit	-	-	-	6.00	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-EssBee-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).