

## Rating Advisory

June 29, 2019 | Mumbai

### Bang Overseas Limited

#### Advisory as on June 29, 2019

This rating advisory is provided in relation to the rating of Bang Overseas Limited

The key rating sensitivity factors for the rating include:

- Revenue and profitability
- Improvement in operating margins
- Any significant write off of debtors
- Working capital management

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Bang Overseas Limited (BOL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If BOL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About the Company

BOL was promoted in 1992 as a private limited company by Mr. Venugopal Bang and Mr. Brijgopal Bang. The company trades in fabrics and manufactures readymade garments. It was reconstituted as a public limited company in 2005 and also floated an initial public offering (IPO) in January 2008. The company's manufacturing facilities are located in Bengaluru (Karnataka). Its subsidiaries, based in Mumbai (Maharashtra), undertake trading of premium cotton fabric.

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## Rating Rationale

June 26, 2018 | Mumbai

### Bang Overseas Limited

*Ratings Reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.32.5 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BB+/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB+/Stable/CRISIL A4+' ratings on the bank facilities of Bang Overseas Limited (BOL; a part of Bang group). The ratings reflect the management's extensive experience in the fabric and readymade garment business, and its moderate capital structure. This rating strength is partially offset by modest operating margins and susceptibility to increasing competition in the fragmented readymade garments industry.

#### Analytical Approach

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of BOL, and all of the wholly owned subsidiaries of BOL's because of cash flow fungibility between them. The consolidated entities are referred to as the Bang group.

#### Key Rating Drivers & Detailed Description

##### Strengths

##### \* Management's extensive experience in fabric and readymade garments business

Mr. Brij Gopal Bang, the promoter and managing director of the group, is a commerce graduate and a Master of Management Studies from Mumbai University. He has been actively involved in the group's business since incorporation and has played a key role in its growth. With over 22 years of experience in the textile and garment business, he introduced the Thomas Scott brand, and took initiatives to venture into retailing of readymade garments. Mr. Venugopal Bang, promoter and chairman of the group has extensive experience in trading of paper and jute products. The day-to-day operations are managed by both promoters.

##### \* Moderate capital structure

The capital structure of the group is benign, which lends the group capacity to work at low margins and absorb losses to a certain extent. Although the group's net worth deteriorated, on account of loss incurred by the group in 2013-14, gearing remained comfortable at 0.15 times as on March 31, 2018.

##### Weaknesses

##### \* Modest operating margins and susceptibility to increasing competition in the fragmented readymade garments industry

The Bang group has modest operating margin because of limited value addition and intense competition. The fabric and readymade garment industry is marked by low entry barriers and heavy fragmentation. Also, the segment faces intense competition from China, which is the largest player in the global market, as well as from Pakistan, Bangladesh, Indonesia, Cambodia, and Vietnam. Hence, the Bang group not only faces competition domestically, but also from several countries which are considered low-cost producers compared to India.

##### \* Working capital intensity of operations

The Bang group has large working capital requirements and substantial receivables. Because of the intensely competitive business environment, the Bang group has limited bargaining power with the customers; it extends credit of three to four months to its wholesale customers in the domestic and export markets. The debtors have been in the range of 120 to 150 days in the past and are expected to remain so over the medium term.

## Outlook: Stable

CRISIL believes that the Bang group will continue to benefit from its promoters' experience in the fabric and readymade garment business. The outlook may be revised to 'Positive' if there is significant and sustained improvement in its operating profitability, leading to healthy cash accruals and improvement in its debt protection metrics, without significantly impacting the capital structure. Conversely, the outlook may be revised to 'Negative' if the group undertakes any large debt-funded capital expenditure (capex) or any stretch in working capital cycle, or further losses due to bad debts or forex.

## About the Group

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## Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	191.56	174.85
Profit After Tax (PAT)	Rs crore	3.21	6.64
PAT Margin	%	1.68	3.80
Adjusted debt/adjusted net worth	Times	0.15	0.29
Interest coverage	Times	5.95	4.36

**Any other information:** Not applicable

## Note on complexity levels of the rated instrument:

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs. Crore)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	15.5	CRISIL BB+/Stable
NA	Letter of Credit	NA	NA	NA	17.0	CRISIL A4+

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	15.50	CRISIL BB+/Stable			14-03-17	CRISIL BB+/Stable	09-03-16	CRISIL BB-/Stable	13-01-15	CRISIL BB-/Stable	CRISIL BB+/Stable
Non Fund-based Bank Facilities	LT/ST	17.00	CRISIL A4+			14-03-17	CRISIL A4+	09-03-16	CRISIL A4+	13-01-15	CRISIL A4+	CRISIL A4+

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	15.5	CRISIL BB+/Stable	Cash Credit	15.5	CRISIL BB+/Stable
Letter of Credit	17	CRISIL A4+	Letter of Credit	17	CRISIL A4+
--	0	--	Proposed Long Term Bank Loan Facility	24.5	Withdrawal
<b>Total</b>	<b>32.5</b>	<b>--</b>	<b>Total</b>	<b>57</b>	<b>--</b>

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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[CRISILs Criteria for Consolidation](#)

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