

## Rating Advisory

August 20, 2021 | Mumbai

### Namaste Exports Limited

#### Advisory as on August 20, 2021

This rating advisory is provided in relation to the rating of Namaste Exports Limited

The key rating sensitivity factors for the rating include:

#### Upward factors:

- Sustained improvement in scale of operations by 25% and break-even at operating margin level, leading to higher cash accruals
- Sustainable improvement in financial risk profile and working capital management.

#### Downward factors:

- Decline in operating profitability by over 200 basis point
- Substantial increase in its working capital requirements unless promoters capital infusion.

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 Ratings is yet to receive adequate information from Namaste Exports Limited (NEL) to enable it to undertake a rating review. CRISIL Ratings 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 Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, [https://www.crisil.com/content/dam/crisil/criteria\\_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf](https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf))

If NEL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

#### About The Company

Established in 1988 by Mrs. Madhura Bhat, NEL is engaged in the manufacture and exports of leather garments. About 95% of total turnover is from exports to countries including Italy, Spain, France, US, Canada. The company sells its products to famous fashion brands including Bugatti, Spengler, Milestone, and Tommy Hilfiger.

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## Rating Rationale

June 25, 2020 | Mumbai

### Namaste Exports Limited

*Ratings Reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.13 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL B-/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 B-/Stable/CRISIL A4' ratings on bank facilities of Namaste Exports Limited (NEL). The ratings continue to reflect weak operating performance and poor debt protection metrics. The rating also constrained by small scale of operations in highly fragmented industry for leather garments export and susceptibility of margins to adverse movement in forex rates. These weaknesses are mitigated by promoters' extensive experience in this line of business.

#### Key Rating Drivers & Detailed Description

##### **Weakness:**

##### **\* Weak operating performance and financial risk profile:**

NEL's weak operating performance is reflected in the company's limited pricing power and also, owing to relatively high fixed costs. Continues cash losses by the company resulting in erosion in its net worth base. NEL's net worth is estimated to have reduced to Rs 3.26 cr as on 31<sup>st</sup> March 2020 from Rs. 4.87 crores as at March 31, 2019.

Consequently, NEL is expected to report the high gearing of over 2 times over the medium term.

##### **\* The small scale of operations in a highly fragmented industry for leather garments export:**

NEL has a small scale of operations, as reflected in its estimated revenues of appx Rs 30.0 crore in fiscal 2020. The operations are expected to be impacted in the first quarter of fiscal 2021 due to Covid led lockdown. Additionally, the overseas market is highly competitive due to competition from other players across the globe as well as from domestic players.

##### **\* Susceptibility of margins to adverse movement in foreign exchange (forex) rates:**

About 95% of the company's sales are from exports. The company hedges 50% of its export receivables through forward contracts, while the balance remains uncovered exposing the company to forex fluctuation risk.

##### **Strengths:**

##### **\* Promoters' extensive experience in the leather industry:**

The promoters have been in this line of business for over 3 decades and have built long-standing relationships with several customers.

#### Liquidity Poor

Liquidity is poor marked by cash losses. The company does not have long term repayment obligations, however fund base limits were utilized at more than 80 per cent during the 12-month period ended Jan 2020.

Please note: This advisory should not be construed as a rating reaffirmation.

## **Outlook: Stable**

CRISIL believes NEL will continue to benefit from the extensive experience of its promoters and established relationships with key suppliers and customers.

## **Rating Sensitivity factors**

### **Upward factors:**

- \* Sustained improvement in scale of operations by 25% and break-even at operating margin level, leading to higher cash accruals
- \* Sustainable improvement in financial risk profile and working capital management.

### **Downward factors:**

- \* Decline in operating profitability by over 200 basis point
- \* Substantial increase in its working capital requirements unless promoters capital infusion.

## **About the Company**

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## **Key Financial Indicators**

Particulars	Unit	2019	2018
Revenue	Rs. Cr.	35.25	30.47
Profit after tax (PAT)	Rs. Cr.	-3.12	-5.10
PAT margin	%	-8.84	-16.73
Adjusted debt/Adjusted networkth	Times	1.48	1.29
Interest coverage	Times	-1.87	-4.29

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels).

## **Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Levels	Rating assigned with outlook
NA	Export Packing Credit	NA	NA	NA	4.50	NA	CRISIL B-/Stable
NA	Foreign Bill Discounting	NA	NA	NA	2.00	NA	CRISIL B-/Stable
NA	Letter of Credit	NA	NA	NA	1.00	NA	CRISIL A4
NA	Proposed Working Capital Facility	NA	NA	NA	5.50	NA	CRISIL B-/Stable

## **Annexure - Rating History for last 3 Years**

Please note: This advisory should not be construed as a rating reaffirmation.

	Current			2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	12.00	CRISIL B-/Stable			11-03-19	CRISIL B-/Stable	12-07-18	CRISIL B/Stable	24-07-17	CRISIL B/Stable	CRISIL B+/Stable
Non Fund-based Bank Facilities	LT/ST	1.00	CRISIL A4			11-03-19	CRISIL A4	12-07-18	CRISIL A4	24-07-17	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
Export Packing Credit	4.5	CRISIL B/Stable	Export Packing Credit	7.5	CRISIL B/Stable
Foreign Bill Discounting	2	CRISIL B/Stable	Foreign Bill Discounting	4	CRISIL B/Stable
Letter of Credit	1	CRISIL A4	Letter of Credit	1.5	CRISIL A4
Proposed Working Capital Facility	5.5	CRISIL B/Stable	--	0	--
Total	13	--	Total	13	--

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Retailing Industry](#)

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