

Bliss Impex

November 14, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.67 (Reduced from 14.07)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Long Term / Short Term Bank Facilities	1.35 (Enhanced from 0.50)	CARE BBB; Stable / CARE A3+ (Triple B ; Outlook: Stable/ A Three Plus)	Revised from CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three)
Total Bank Facilities	14.02 (₹ Fourteen Crore and Two Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Bliss Impex (BI) have been revised on account of improvement in the scale of operations and profitability, improvement in debt coverage indicators and improvement in the operating cycle. The rating further derives comfort from comfortable capital structure, experienced partners coupled with long track record of operations and long-established relationship with suppliers and customers though concentrated customer base.

The ratings are, however, constrained by the firm's modest scale of operations, constitution of the entity being a partnership firm and competitive nature of industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Consistent improvement in scale of operations to around Rs. 250 crore over the medium term with PBILDT margins of 10% on a sustained basis.
- Improvement in the operating cycle of the firm below 100 days on sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in the operating margins of the firm as marked by PBILDT margin below 8% on sustained basis
- Deterioration in the capital structure as marked by overall gearing ratio above 1.8 times on sustained basis.

Detailed description of the key rating drivers

Key rating strengths

Experienced partners coupled with long track record of operations: BI had been in the manufacturing and processing of fabric since 2005 which enables establishing relationship with both suppliers and customers. The firm is currently being managed by all the partners namely Ravinder Jain, Ekansh Jain and Nawal Khanna. All the partners have an average experience of around two decades through their association with BI.

Long established relationship with suppliers and customers though concentrated customer base : BI has been operational for more than a decade and has been able to establish relationship with its suppliers and customers. The firm is in association with reputed supplier base and procures around 25% of raw material from VSM Weavers India (P) Limited. Firm has long and established relation with reputed customers like TCNS Clothing Co. Private Limited, Magsons Exports, Unique Wears private limited, etc. However, top five customers constituted around 53% of total sales in FY22 (PY-52%). The firm's sales are concentrated and in the event of change in procurement policy of these players the business of the client will be adversely impacted.

Moderate Profitability margins : The firm has long standing presence in the market along with association with reputed customer base which has resulted into competitive edge over other established players; the same is evident from increasing total operating income and healthy profitability margins. The total operating income for the company has increased to Rs 125.93 crores during FY22 as compared to Rs. 80.29 crores during FY21 and had PBILDT margins of 12.75% during FY22 (PY: 13.73%) and PAT margin of 5.49% during FY22 as compared to 4.98% in FY21. The firm has GCA of Rs 10.26 crores during FY22 as compared

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

to GCA of Rs 7.54 crores during FY21. Further, the firm has recorded net profit of 4.16 crores with sales of 69.09 crores during 6MFY23.

Comfortable capital structure and debt coverage indicators: The capital structure of the firm has remained comfortable, the debt profile of the firm comprised of rupee term loan of Rs. 1.84 crore and working capital bank borrowings of Rs.7.12 crore at the end of FY22. The firm also has unsecured loans of 26.29 crores (PY:14.4 crores) out of which, 14.5 crores are subordinated. The capital structure of the firm stood comfortable as marked by overall gearing ratio of 0.44x (PY:0.13x). The deterioration in gearing was majorly due to increase in unsecured loans from partners. Further, owing to improved profitability levels; the debt service coverage indicators also improved during FY22 with interest coverage at 7.61x during FY22 as compared to 5.76x during FY21.

Improved but modest scale of operations: The scale of operations has improved but remained modest as marked by a total operating income (TOI) and gross cash accruals of Rs.125.93 crore and Rs. 10.26 crore respectively during FY22 (Previous year TOI and GCA remains at Rs. 80.29 crore and Rs. 7.54 crore respectively, representing a healthy growth of 56% on Y-o-Y basis in TOI and 36% on GCA). The modest scale limits the firm's financial flexibility in times of stress and deprives it from scale benefits. The improvement in total operating income was majorly due to recovery from, covid related disruptions. Also, in 6MFY23, the company has achieved sales of 69.06 crores wherein exports are of 6.37 crores.

Key rating weaknesses

Elongated operating cycle: The operating cycle of the firm has also improved although remained elongated at 152 days in FY21 to 110 days in FY22 on account of improvement in collection period and inventory days. The collection period of the firm has improved from 119 days in FY21 to 91 days in FY22, the inventory days has improved from 79 days in FY21 to 56 days in FY22. The firm manufactures and processes various types of fabrics which results in maintenance of sufficient stock of different forms of raw materials i.e. yarn, fabrics, thread, dye and chemicals for smooth production process. In addition, the manufacturing process involves printing, embroidery and dyeing leading to work in progress period. Furthermore, the firm has to maintain minimum inventory of its products to meet the demand of its customers resulting in average inventory period of 56 days. However, majority of the working capital requirement are funded through partners capital and has limited reliance on the working capital requirement. Due to this the average working capital utilization remain low at 9.5% during the last 12 months ended September 2022.

Constitution of the entity being a partnership firm: The constitution of BI is partnership firm which has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partner thereby leading to put pressure on financial flexibility of the firm. Moreover, partnership firms have restricted access to external funds as credit worthiness of partner would be the key factors affecting credit decision for the lenders. Also due to the flexibility on the withdrawal of capital any time, the partners of the firm has withdrawn capital of Rs 11.78 crores during FY22.

Presence in a fragmented and competitive industry along with susceptibility of profitability to volatile raw material prices: The textile industry is highly fragmented in nature due to the presence of large number of unorganized and organized players leading to high competition in the industry. Small and regional players are more vulnerable to intense competition, thereby limiting their bargaining power and exerting pressure on their margins. The profitability of the firm also remains susceptible to any adverse fluctuations in the raw material prices like yarn, dyes, colours & chemicals which are derivatives of crude oil. Furthermore, textile is a cyclical industry and closely follows the macroeconomic business cycles.

Liquidity: Adequate

The liquidity indicators stood moderate marked by current ratio of 1.73x and quick ratio of 1.17x as on March 31, 2022 as against current ratio of 3.61x and quick ratio of 2.60x as on March 31, 2021. The average utilization of working capital limits remained at 9.5% for the period of 12 months period ended September 2022. Further, the cash and cash equivalents for the company has increased to 4.53 crores (includes margin money of 0.40 crores) against 0.05 crores in FY21 (A).

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

Haryana based Bliss Impex (BI) was established in the year 2005 as a partnership firm and is currently being managed by Mr. Ravinder Jain (25%), Mr. Ekansh Jain (25%) and Mr. Nawal Khanna (50%), because of the demise of Mr. Sawan Khanna (previous year share-25%), his shares were transferred to Mr. Nawal Khanna. The firm is involved in processing of fabric. The manufacturing facility is set up in Gurgaon and has an installed capacity of 55,000 meters per day as on March 31, 2022. The primary raw material is fabric, thread, dye and chemicals which are procured from suppliers located in Ludhiana and South India. The firm after processing the fabric in form of printing, embroidery sells out to the garmenting units spread all over India. The firm procures the fabric from the mills and weavers after which they work on it in form of printing, dyeing and embroidery as per the specifications of the garmenting unit. Samples are approved by the customers prior to starting the production process. The firm also receives job work from export entities that bring in the fabric on which dyeing, printing and embroidery takes place.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (P)
Total operating income	80.29	125.93	69.06
PBILDT	11.03	16.05	NA
PAT	4.00	6.91	4.16
Overall gearing (times)	0.13	0.44	NA
Interest coverage (times)	5.76	7.61	NA

A: Audited, P: Provisional, NA: Not available

Status of non-cooperation with previous CRA: CRISIL B; Stable (Downgraded on September, 2021)

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	31/08/2024	0.67	CARE BBB; Stable
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	1.35	CARE BBB; Stable / CARE A3+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	0.67	CARE BBB; Stable	-	1)CARE BBB-; Stable (01-Feb-22)	1)CARE BBB-; Stable (01-Feb-21)	1)CARE BBB-; Stable (05-Dec-19)
2	Fund-based - LT-Cash Credit	LT	12.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (01-Feb-22)	1)CARE BBB-; Stable (01-Feb-21)	1)CARE BBB-; Stable (05-Dec-19)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	1.35	CARE BBB; Stable / CARE A3+	-	1)CARE BBB-; Stable / CARE A3 (01-Feb-22)	1)CARE BBB-; Stable / CARE A3 (01-Feb-21)	1)CARE BBB-; Stable / CARE A3 (05-Dec-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Amit Jindal
Phone: 9873003949
E-mail: amit.jindal@careedge.in

Relationship contact

Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

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