

BMI Wholesale Trading Private Limited

March 30, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.33 (Reduced from 11.34)	CARE B-; Stable (Single B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	3.00	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	14.33 (Rs. Fourteen Crore and Thirty-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of BMI Wholesale Trading Private Limited (BMI) continues to be constrained by modest scale of operation coupled with net losses in FY21, highly working capital-intensive nature of operations, deterioration in capital structure and weak debt coverage indicators and eroded net worth base. The ratings further continue to be constrained by increased competition from the domestic and global brands. The aforesaid constraints, however, continue to be partially offset by the strength derived from established track record of the promoter in the marketing of premium brands in apparels through the licensing arrangement and established brand presence with wide geographical reach.

Rating Sensitivities

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

- Increase in the scale of operations with a total operating income exceeding Rs. 70 crore along with improvement in PBILDT margin above 10% on a sustained basis
- Improvement capital structure with overall gearing reaching below 3x and debt coverage indicators with interest coverage ratio exceeding 3x and total debt to gross cash accruals reaching below 5x on a sustained basis

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

- Elongation in operating cycle above 150 days on a sustained basis

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operation

BMI's scale of operation declined significantly by 65.31% in FY21 to Rs. 14.68 crore from Rs. 42.32 crore in FY20 on account of decline in order execution due to Covid-19 pandemic situation. BMI was not operational from March 22, 2020 to Mid-June 2020 (during first covid-19 wave) due to lockdown and there is impact on the business due to which sales got hampered. Further company had laid off employees. Further during second wave of COVID, operation was closed in the states where lockdown was imposed by respective governments. Furthermore, company has achieved total sales of Rs. 45.62 crore in 11MFY22.

Low profit margins

Company incurred loss at operating level at -36.30% in FY21 vis-à-vis 4.75% in FY20 on account of decline in total operating income while fixed costs remained same. Further with increase in operating losses, company continued to incur net loss of Rs. 4.15 crore in FY21 vis-à-vis net loss Rs. 4.43 crore in FY20. Losses are funded by resourceful promoters by way of equity and infused Rs. 9 crore in FY21.

Highly working capital-Intensive nature of operations

Operating cycle of BMI was 89 days in FY21 (vis-à-vis 136 days in FY20). Company in its current business model offers credit period of 60-70 days to its wholesale segment and 90 days to its ecommerce segment. However, collection period stretched to 586 days in FY21 vis-à-vis 359 days in FY20 on account of no recovery done at the end of March 2021 leads to increase in debtors. In absolute term, outstanding debtors increased to Rs. 18.33 crore as on March 31, 2021 (vis-à-vis 43.99 crore as on March 31, 2020). Further inventory elongated to 85 days in FY21 (vis-à-vis 47 days in FY20) as company has to keep of inventory readily available in its warehouse to meet the timely needs mainly for ecommerce segment. Further, the company avails credit period of around 90 days from the suppliers however creditors period also stretched to 582 days in FY21 vis-à-vis 270 days in FY20.

Weak capital structure and debt coverage indicators

The capital structure continued to remain weak and low net worth base on account of loss incurred in FY21. Further company has issued 19.10 lakh equity shares at face value of Rs. 10/- each and at premium of Rs. 37.12/- each, total amounting to Rs.

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

9.00 crore in FY21. Due to negative cash accruals total debt to gross cash accruals stood weak and interest coverage ratio remained low at -1.06x in FY21 on account of decline in PBILDT in FY21.

Presence in competitive and fragmented industry

BMI operates in a highly competitive and fragmented readymade garment industry. The company witnesses intense competition from both the other organized and unorganized players domestically and globally. This fragmented and highly competitive industry results into price competition thereby posing a threat to the profit margins of the companies operating in the industry.

Key Rating Strengths

Established track record of the promoter in the marketing of premium brands in apparels through the licensing arrangement

Company is promoted by Prestige Brands Limited and has a legacy of more than 45 years in the development and marketing of designer lifestyle products. The operations of BMI are managed by Mr. Vijay Murjani having an experience of more than a decade in the marketing, merchandising and retail development related to premium brands. Further the promoters are resourceful and have been supporting the operations by regular infusion of funds.

Established brand presence with wide geographical reach

Company has total 10 distributors selling to more than 148 multi brand outlets and added one e-commerce partner "Ajo" and one shop in shop partner I.e. "Shoppers Stop" in addition to Myntra, Amazon and Flipkart. However as per the old business model company still has 15 exclusive "French Connection" stores.

Liquidity: Stretched

The liquidity position remained weak marked by insufficient accruals however company has made repayment by infusing equity share capital of Rs. 9 crore. Free cash and bank balance remained low at Rs.0.97 crore as on March 31, 2021 (vis-à-vis Rs. 0.35 crore as on March 31, 2020). The current ratio of 0.53x as on March 31, 2021 (A) vis-à-vis 1.04x as on March 31, 2020. Further cash flow from operation remained negative at 13.47 crore in FY21 (vis-à-vis negative cash flow from operation of Rs. 1.31 crore in FY20). The company had availed moratorium provided by RBI under COVID-19 pandemic situation.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

[Rating Methodology - Wholesale Trading](#)

[CARE's Methodology for Short-term Instruments](#)

[Financial ratios \(Non-Financial Sector\)](#)

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

About the Company

Incorporated in 2006, BMI Wholesale Trading Private Limited [BMI, formerly known as MK Retail Private Limited] is promoted by Prestige Brands Limited (a company wholly owned by New York based Murjani Group). BMI is engaged in wholesale trading and marketing of licensed products such as apparels and innerwear under the brand 'French Connection' in the Indian Territory wherein BMI has the exclusive long-term rights for "French Connection"

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22(Prov.)
Total operating income	42.32	14.68	35.49
PBILDT	2.01	-5.33	7.35
PAT	-4.43	-4.15	NA
Overall gearing (times)	-8.06	15.00	NA
Interest coverage (times)	0.30	-1.06	2.22

A: Audited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: 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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	11.33	CARE B-; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	3.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	11.33	CARE B-; Stable	1)CARE B-; Stable (28-May-21)	1)CARE D (22-Jan-21)	1)CARE B+; Stable (23-Jan-20)	1)CARE B+; Stable (30-Jan-19)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	3.00	CARE A4	1)CARE A4 (28-May-21)	1)CARE D (22-Jan-21)	1)CARE A4 (23-Jan-20)	1)CARE A4 (30-Jan-19)
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (22-Jan-21)	1)CARE B+; Stable (23-Jan-20)	1)CARE B+; Stable (30-Jan-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Available**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 - ST-Bill Discounting/ Bills Purchasing	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 instrument: CARE Ratings Ltd. 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.

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