Thausi Export

February 17, 2020

Rating

Facilities	Amount (Rs. Crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	5.00	CARE D; ISSUER NOT COOPERATING* (Single D ;) ISSUER NOT COOPERATING*	Issuer not cooperating*; On the basis of best available information
Total	**5.00 (Rupees Five Crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Driver

CARE has been seeking information from Thausi Export to monitor the rating vide e-mail communications dated November 2019 to February, 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Thausi Export's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on February 11, 2019 the following were the rating strengths and weaknesses:

Key Rating Weakness

Ongoing delays in servicing debt obligations

There are ongoing delays in servicing the interest and instances of overdraws by more than 30 days for the packing credit facility availed by the firm due to a stressed liquidity position.

Small scale of operations with declining total operating income

The scale of operations of the firm is relatively small, as marked by a total operating income of Rs. 6.09 crore in FY18 with low net worth base of Rs. 0.97 crore as on March 31, 2018. The TOI of the firm has been declining during the review period. The TOI of the firm has been decreasing year-on-year from Rs. 16.55 crore in FY16 to Rs. 6.09 crore in FY18 due to decrease in export sales.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the firm remained leveraged during the review period on account of high dependence on working capital bank borrowings as against a low net worth base. The overall gearing ratio was marked at 5.30x as on March 31st 2018. Further, the debt coverage indicators of the firm as marked by the TDGCA and PBILDT Interest Coverage ratio remained weak at 32.08x and 1.30x in FY18 respectively, on the back of high dependence on working capital bank borrowings and small scale of operations, resulting in low cash accruals.

Highly competitive and fragmented trading industry

The firm operates in highly fragmented and competitive industry wherein the presence of large number of entities in the un-organized sector and established players in the organized sector limits the bargaining power with the customers. Furthermore, the firm is also exposed to competitive pressures from domestic players as well as from big, well established players from abroad.

Constitution of the entity as a proprietorship firm

The proprietor typically makes all the decisions and led the business operations. If he became ill or disabled, there may not be anybody else to step in and maintain the optimum functioning of business. A business run by proprietor also poses a risk of heavy burden, i.e. an inherent risk of capital withdrawal, at a time of personal contingency which can adversely affect the capital structure of the firm. Moreover, the proprietorship firms have restricted access to external borrowing which limits their growth opportunities to some extent.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*
**Issuer did not cooperate; Based on best available information*

Working capital intensive nature of operations
The firm has working capital intensive nature of operations as reflected in an operating cycle of 237 days in FY18. The firm had high receivables for the past three financial years ended March 31st 2018, on account of delay in inspections of the goods delivered. The firm's inventory holding period stood between 15-40 days on account of easy availability of raw material, which enabled the firm to place orders as and when required. The average utilization of the working capital bank borrowing for the past twelve months ended November 30, 2018 remained at 100%, with instances of overdraws in the packing credit facility.

Key Rating Strengths
Experience of the proprietor for more than three decades in the textile industry
The proprietor of the firm has more than two decades of experience in the trading of textiles. Over the years, Mr. K. Thulasilingam has established a clientele across Tamil Nadu.

Stable outlook for textile industry
Indian textile industry is one of the largest industries in India. It is the second largest industry in terms of providing employment opportunities to more than 35 million people in the country. Indian Textile industry contributes to 7 per cent of industrial output in terms of value, 2 per cent of India's GDP and to 15 per cent of country's export earnings. India's overall textile exports during FY 2017-18 stood at US$ 39.2 billion. The size of India's textile and apparel market recorded USD 108.5 billion in 2015 and is expected to reach USD 226 billion by 2023, growing at a CAGR of 8.7 per cent between 2009 and 2023. India holds a strategic second position in the export of textile and clothing products in the world with a share of 5.55%.

Liquidity Analysis
The current ratio of the firm stood satisfactory at 1.02x as of March 31, 2018 due to relatively high account receivables and advances given for purchases as compare to account payables including working capital bank borrowings. The firm has investment in liquid assets with a cash and bank balance of Rs. 0.03 crore as on March 31, 2018.

Analytical approach: Standalone

Applicable criteria*:*
Policy in respect of Non-cooperation by the issuer
CARE's Policy on Default Recognition
Rating Methodology - Manufacturing Companies
Financial ratios – Non-Financial Sector

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	1.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Packing Credit in Foregin Currency	-	-	-	3.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	1.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (11-Feb-19)	-	-
2.	Fund-based - LT-Packing Credit in Foregin Currency	LT	3.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (11-Feb-19)	-	-

**Issuer did not cooperate; Based on best available information*

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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