

Press Release

Gajiwala Sarees

August 31, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.19.00 crore bank facilities of Gajiwala Sarees (GS). The outlook is '**Stable**'.

The Surat-based, Gajiwala Sarees was established as a proprietorship concern in 2003. Subsequently, its constitution was changed into partnership in 2009 by Gajiwala family. GS is into manufacturing of non-bridal lehenga choli, sarees and other garments. The firm is whole selling the manufactured apparel at Pan India level.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Gajiwala Sarees (GS) to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced Partner

The Partners, Mr. Vikram Gajiwala, Mrs. Sweety Gajiwala, Mr. Kishore Gajiwala and Mrs. Nilaben Gajiwala possess a decade of experience in this industry. The knowledge of the Partners has helped GS to establish market position which in turn benefits in securing repeated orders. Acuite believes that GS will continue to benefit from its Partners' vintage.

• Moderate financial risk profile

GS has moderate financial risk profile marked by tangible net worth of Rs.22.39 crore as on 31 March, 2018 (Provisional) as against Rs.17.16 crore as on 31 March, 2017. This includes unsecured loan of Rs.8.29 crore as on 31 March, 2018 (Provisional) which is considered as quasi equity. The adjusted gearing stood at 0.87 times as on 31 March, 2018 (Provisional) as against 1.17 times as on 31 March, 2017. The debt of Rs.19.44 crore comprises of working capital borrowings to the tune of Rs.18.61 crore and term loans to the tune of Rs.0.83 crore. Interest Coverage Ratio (ICR) stood at 1.85 times in FY2018 (Provisional) as against 1.97 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.76 times as on 31 March, 2018 (Provisional) as against 2.45 times as on 31 March, 2017. Acuite believes that the financial risk profile is expected to be at similar levels over the medium term as the firm is not planning any significant debt-funded capital expenditure programme over the medium term besides healthy cash accruals to total debt.

Weaknesses

• Declining trend in revenue

Gajiwala sarees has been experiencing downward trend in revenue since FY2016. The revenue had declined to Rs.105.72 crore in FY2017 from Rs.144.82 crore in FY2016 which had further declined to Rs.100.32 crore in FY2018 (Provisional). The drop was due to less order received from customers.

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 205 days in FY2018 (Provisional) as against 187 days in FY2017. This is mainly on account of high inventory holding period marked by 81 days in FY2018 (Provisional) as against 60 days in FY2017. The GCA days are also dominated by debtors of 122 days in FY2018 (Provisional) as against 121 days in the previous year. Acuite believes that an improvement in working capital cycle would be a key rating sensitivity in the medium term.

Outlook: Stable

Acuite believes that the outlook on GS will remain 'Stable' over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue and sustainable improvement in the working capital management. Conversely, the outlook may be revised to 'Negative' if the revenue declines further or if the financial risk profile weakens due to elongation in the working capital cycle or large debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	100.32	105.72	144.82
EBITDA	Rs. Cr.	4.88	4.13	3.60
PAT	Rs. Cr.	2.03	1.82	1.56
EBITDA Margin	(%)	4.87	3.90	2.49
PAT Margin	(%)	2.02	1.72	1.08
ROCE	(%)	12.12	11.87	11.26
Total Debt/Tangible Net Worth	Times	1.76	2.45	2.48
PBDIT/Interest	Times	1.85	1.97	2.00
Total Debt/PBDIT	Times	3.81	4.76	3.36
Gross Current Assets (Days)	Days	205	187	148

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jul-2017	Cash Credit	Long Term	12.00	ACUITE BB- / Stable
	Cash Credit	Long Term	7.00	ACUITE BB- / Stable
10-Mar-2016	Cash Credit	Long Term	12.00	ACUITE BB / Stable
20-Feb-2015	Cash Credit	Long Term	12.00	ACUITE BB- / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE BB- / Stable

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in</p> <p>Simranjeet Kaur Analyst - Rating Operations Tel: 022-67141110 Simranjeet.Kaur@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.