

Press Release

27 July, 2017

Newtech Creations

Rating Reaffirmed



| | |
|------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs. 7.70 Cr. |
| Long Term Rating | SMERA B / Outlook: Stable |
| Short Term Rating | SMERA A4 |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 7.70 crore bank facilities of Newtech Creations. The outlook is '**Stable**'.

Established in 2002, Newtech Creations (NTC) is a proprietorship firm promoted by Mr. S Dhandapani. The firm is engaged in the manufacture and export of knitted garments such as T-shirts, casual wear, sports wear, tops, under garments among others. The firm outsources manufacturing (knitting, dyeing, washing, cutting, etc) while embroidery and printing is done in-house. The capacity stands at 8000 pieces of garments per day.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. S Dhandapani has been in the said line of business for over a decade and has developed healthy relations with customers and suppliers.

Weaknesses

- **Highly fragmented and competitive industry**

The garment industry in Tamil Nadu is highly fragmented and competitive with many small to medium players.

- **Foreign exchange fluctuation risk**

NTC exports ~90 per cent of its sales to USA and hence is exposed to forex fluctuation risk.

- **Decline in revenue for FY2015-16 and moderate financial risk profile**

NTC's revenue witnessed a slight dip in FY2015-16 over the previous year owing to the temporary shutdown of manufacturing activity. The entity booked turnover of Rs. 43.09 crore in FY2016 compared to Rs. 45.37 crore in FY2015. However, the firm booked revenue of ~ Rs. 47.00 crore (Provisional) for the period FY2016-17. NTC's financial risk profile is moderate marked by high gearing

of 4.26 times as on 31st March, 2016 as compared to 5.99 times as on 31 March, 2015 and TOL/TNW of 8.63 times in FY2016 as against 9.98 times in FY2015. The interest coverage ratio stood at 2.13 times for FY2016 as against 1.76 times for FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that NTC will maintain a stable outlook over the medium owing to its promoters' extensive experience. The outlook may be revised to 'Positive' in case the firm improves its capital structure and financial risk profile while registering growth in revenue and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.41 crore on operating income of Rs.43.09 crore, as compared to PAT of Rs.0.39 crore on operating income of Rs.45.37 crore in the previous year. The net worth stood at Rs.1.41 crore as on March 31, 2016 compared to Rs.1.12 crore a year earlier.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|------------------|
| 08-Mar-2016 | Proposed Term Loan | Long Term | INR 0.45 | SMERA B / Stable |
| | Bills Discounting | Short Term | INR 4 | SMERA A4 |
| | Packing Credit | Short Term | INR 3.25 | SMERA A4 |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|------------------|
| PC/PCFC | Not Applicable | Not Applicable | Not Applicable | 3.25 | SMERA A4 |
| FBN/FBP/FBD/PSFC/FBE | Not Applicable | Not Applicable | Not Applicable | 4.00 | SMERA A4 |
| Proposed Term loans | Not Applicable | Not Applicable | Not Applicable | 0.45 | SMERA B / Stable |

Contacts:

| Analytical | Rating Desk |
|---|---|
| Vinayak Nayak, Head –Ratings Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in Shalini Sekar Analyst - Rating Operations Tel: 022-67141146 Email: shalini.sekar@smera.in | Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in |

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.