

## Press Release

**Newtech Creations**

September 03, 2018



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 7.70 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

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

The Tamil Nadu based, Newtech Creations (NTC) is a proprietorship concern established in 2002. It is promoted by Mr. S Dhandapani and is engaged in manufacture and export of knitted garments. NTC product range includes garments (T-shirts, casual wears, sports wears, tops, under garments) for men, women, and kids. NTC outsources the process of manufacturing like knitting, dyeing, washing, and cutting. While processes like embroidery and printing is done using the in-house facilities. The firm has the manufacturing/outsourcing capacity of 8000 pieces of garments per day.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NTC to arrive at this rating.

### Key Rating Drivers

#### Strengths

##### **Experienced management:**

Mr. S Dhandapani has been into same line of business from more than a decade. The promoter has gained good insight about the industry and has developed healthy relations with customers and suppliers. NTC caters to retailers, majority of whom are situated in United States of America and Italy. Aquarius Inc., TKO Evolution Apparel Inc., Weather Proof and Global Clothing Network are some of the major clients of the firm.

##### **Improvement in financial risk profile:**

NTC's financial risk profile is marked by tangible net worth of Rs.4.64 crore as on 31 March, 2018 (Provisional) as against Rs.1.72 crore as on 31 March, 2017. The gearing improved to 1.82 times as on 31 March, 2018 (Provisional) as against 4.63 times as on 31 March, 2017. The debt of Rs.8.43 crore mainly consists of term loan of Rs.2.91 crore, working capital borrowing of Rs.5.07 crore and unsecured loan of Rs.0.45 crore as on 31 March 2018 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.45 times as on 31 March, 2018 (Provisional) as against 10.43 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

#### Weaknesses

##### **Highly fragmented and competitive industry:**

Tamil Nadu is a textile hub where the garment industry is highly fragmented and competitive with many small to medium players as seen in the past.

### Decline in revenue:

NTC's revenue has witnessed a dip during FY2018 as compared to FY2017. The entity has booked a turnover of Rs.44.60 crore in FY2018 (Provisional) as against Rs.51.46 crore in FY2017. The major reason for decline in revenue was due to intense competition faced by the client from other exporters.

### Foreign exchange fluctuation risk:

The profitability of NTC is exposed to fluctuations in forex rates since the concern exports ~90 percent of its products to USA and UK among other countries. Adverse changes in foreign exchange rates may affect the profitability of the concern.

### Outlook: Stable

Acuité believes that NTC will maintain a 'Stable' outlook over the medium term owing to its experienced management and established presence in the industry. The outlook may be revised to 'Positive' if the firm achieves sustained growth in revenues while maintaining its profit margins. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in the revenues and profit margins.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	44.60	51.46	43.09
EBITDA	Rs. Cr.	1.49	1.85	1.49
PAT	Rs. Cr.	0.56	0.50	0.41
EBITDA Margin	(%)	3.35	3.60	3.45
PAT Margin	(%)	1.25	0.98	0.95
ROCE	(%)	12.05	14.15	16.28
Total Debt/Tangible Net Worth	Times	1.82	4.63	4.26
PBDIT/Interest	Times	1.84	2.80	2.13
Total Debt/PBDIT	Times	5.64	4.03	3.80
Gross Current Assets (Days)	Days	95	83	70

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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. Crore)	Ratings/Outlook
27-Jul-2017	PC/PCFC	Short Term	3.25	ACUITE A4 (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Proposed Term loans	Long Term	0.45	ACUITE B/Stable (Reaffirmed)
08-Mar-2016	PC/PCFC	Short Term	3.25	ACUITE A4 (Assigned)
	FBN/FBP/FBD/PSFC/FBE	Short Term	4.00	ACUITE A4 (Assigned)
	Proposed Term loans	Long Term	0.45	ACUITE B/Stable (Assigned)

### \*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	ACUITE A4 (Reaffirmed)
FBN/FBP/FBD/PSFC /FBE	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Proposed Term loans	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE B/Stable (Reaffirmed)

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### About Acuité Ratings & Research:

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