

### Nowotek Textiles Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan - I	2.80	SMERA B+/Stable (Assigned)
Term Loan - II	4.40	SMERA B+/Stable (Assigned)
Cash Credit	6.50	SMERA B+/Stable (Assigned)
Letter of Credit	1.50	SMERA A4 (Assigned)
Proposed	14.80	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the abovementioned bank facilities of Nowotek Textiles Private Limited (NTPL). The outlook is '**Stable**'.

The ratings are supported by the long track record of operations and experienced management. However, the ratings are constrained by the weak financial risk profile marked by low DSCR and interest coverage ratio. The ratings also factor in the limited track of operations and exposure to intense competition in the textile industry.

NTPL is engaged in the manufacture and export of non-woven textiles since 2013. The company is headed by Mr. Shobhit Gupta, Director, who possesses experience of around a decade in the textile industry. The company also has an experienced second line of management.

However, the weak financial risk profile of the company is reflected in the low DSCR of 1.26 times in FY2015-16 (Provisional) as compared to 0.86 times a year earlier. The current ratio stood at 1.39 times in FY2015-16 (Provisional) as compared to 1.04 times a year earlier. The gearing stood at 0.97 times in FY2015-16 (provisional). The company registered net profit margin of 1.78 per cent in FY2015-16 (Provisional) as against 0.32 per cent in the previous year. Besides, the company faces intense market competition in the textile industry.

#### Rating Sensitivity Factors

- Improvement in the working capital cycle
- Scaling up operations while improving profitability margins

#### Outlook-Stable

SMERA believes that the outlook on NTPL's rated facilities will remain stable over the medium term on account of the company's experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company achieves better than expected growth in revenues and profit margins. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability or deterioration of the capital structure.

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

Established in 2008, NTPL is a Noida-based company headed by Mr. Shobhit Gupta. The company commenced operations from July 2013 to manufacture and export non-woven fabrics at Greater Noida.

For FY2015-16 (Provisional), the company reported net profit after tax of Rs.0.84 crore on total income of Rs.47.29 crore as against net profit after tax of Rs.0.12 crore on total income of Rs.38.15 crore a year earlier. The net worth stood at Rs.12.50 crore as on March 31, 2016, as compared to Rs.7.71 crore a year earlier. The total net worth of Rs.12.50 crore in FY2015-16 (Provisional) includes quasi equity of Rs.11.06 crore.

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### ABOUT SMERA

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