

## Press Release

### Knitex Textiles Private Limited (KTPL)

24 January, 2018

### Rating Reaffirmed



<b>Total Bank Facilities Rated</b>	Rs. 5.30 Cr.
<b>Long Term Rating</b>	SMERA BB-/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

*\*Annexure*

SMERA has reaffirmed the long term rating of **SMERA BB-/Stable (read as SMERA double B minus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 5.30 crore bank facilities of 'Knitex Textiles Private Limited' (KTPL). Outlook is **'Stable'**.

The Mumbai based KTPL, incorporated in 1999 is engaged in the manufacturing of readymade garments and trading of yarn. The company is led by Mr. Hiten Sheth, Director who has around 25 years of experience in the textile industry. The manufacturing unit is located at Tirupur, Tamil Nadu with installed capacity of 3 lakhs pieces per year. The capacity utilisation has been around 91 percent for FY2017.

### List of key rating drivers and their detailed description

#### Strengths

#### Long track record of operations and experienced management

KTPL was established as a partnership firm in 1993 and converted to private limited company in 1999. The company is promoted by Mr. Gunvantrai Sheth and his son, Mr. Hiten Sheth. The promoters have around 25 years of experience in the textile industry

#### Comfortable working capital cycle

The working capital cycle is comfortable and improved to 60 days in FY2017 as against 86 days in FY2016 mainly on account of improvement in inventory and debtor days. Further, it has comfortable liquidity position marked by ~11.71 percent average utilisation of working capital limits for the six months ended December, 2017.

#### Moderate financial risk profile

The company has comfortable financial risk profile marked by moderate net worth of Rs. 4.41 crore as on 31 March, 2017 as against Rs. 4.24 crore as on 31 March, 2016. The gearing stood at (debt-equity) 0.06 as on 31 March, 2017 and 0.19 times in the previous year. Of the total debt of Rs. 0.27 crore as on 31 March, 2017, Rs. 0.11 crore constitutes working capital borrowings and unsecured loans from promoters of Rs. 0.16 crore. The ICR (Interest Coverage Ratio) stood healthy at 2.95 times for FY2017 as against 2.81 times for FY 2016.

## Weaknesses

### Modest scale of operations

Despite being in operations since 1999, the revenues of the company remained low at Rs. 19.34 crore for FY2017, 17.41 crore for FY2016 and Rs. 15.29 crore for FY2015.

### Intense competition from small and established players

KTPL operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of domestic and international players in the sector limits its bargaining power with customers.

### Susceptibility of profit margins to raw material prices

The profit margins are susceptible to fluctuations in the raw material prices of yarn.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of KTPL.

## Outlook – Stable

SMERA believes that KTPL will maintain a stable outlook over the medium term from its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers improvement in scale of operations while achieving healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profitability or deterioration in the company's financial risk profile.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.34	17.41	15.26
EBITDA	Rs. Cr.	0.49	0.42	0.64
PAT	Rs. Cr.	0.17	0.14	0.25
EBITDA Margin	(%)	2.53	2.41	4.17
PAT Margin	(%)	0.88	0.81	1.63
ROCE	(%)	9.01	6.83	9.92
Total Debt/Tangible Net Worth	Times	0.06	0.19	0.33
PBDIT/Interest	Times	2.95	2.81	2.21
Total Debt/PBDIT	Times	0.54	1.81	2.06
Gross Current Assets (Days)	Days	99	135	151

## Applicable Criteria

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

Note on complexity levels of the rated instruments-

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

### Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
02-Nov, 2016	Packing Credit	Short Term	4.80	SMERA A4+ (Assigned)
	Proposed (Fund/Non Fund)	Long Term/Short Term	0.50	SMERA BB-/Stable/SMERA A4+(Assigned)

### Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
*#FBP/FBD/FCBP/FCBD/PSDC cum PC/	Not Applicable	Not Applicable	Not Applicable	4.80	SMERA A4+ (Reaffirmed)
Proposed Facility (Fund/Non Fund)	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB-/Stable/SMERA A4+ (Reaffirmed)

\*Sub limit-Packing Credit of 2.23 crore #Standby limit under Baroda gold card scheme

### Contacts:

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: +91-22-6714 1190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Naveen Papisetty Rating Analyst Tel: +91-22-6714 1148 Email: <a href="mailto:naveen.papisetty@smera.in">naveen.papisetty@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

## ABOUT SMERA

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