

## Press Release

### Alfa Textiles (AT)

09 February, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs 6.50 Cr
<b>Long Term Rating</b>	SMERA BB-/Stable(Assigned)

\*Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.6.50 crore bank facilities of Alfa Textiles (AT). The outlook is '**Stable**'.

AT, established in 2003, is engaged in the manufacture of cotton grey cloth and fabrics used in shirting.

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

#### Strengths:

**Experienced management:** The firm benefits from its experienced management. The promoters, Mr. Ratilal Shah, Mr. Bhagwanji Shah and Mr. Zaverchand Shah, possess experience of over three decades in the textile industry.

**Above average financial risk profile:** The above average financial risk profile is marked by modest net worth of Rs.13.71 in FY2016 as against Rs.11.61 crore in FY2015. The gearing also stands comfortable at 1.12 times in FY2016, a decrease from 1.10 times in FY2015, mainly due to increase in short term debt. The Interest coverage ratio stood moderate at 1.93 times in FY2016 while the DSCR was 1.93 times in FY2016. The NCA/TD stood comfortable at 0.18 times in FY2016.

#### Weaknesses:

**Working capital intensive operations:** The operations have been working capital intensive marked by gross current asset days of over 235 in FY2016 and 156 days in FY2015. This necessitates working capital requirement as major funds gets blocked in debtor. The debtor days stood at 143 in FY2016 as compared to 93 in FY2015.

**Susceptibility to volatility in raw material prices:** The profit margins of the firm are susceptible to volatility in cotton prices.

**Analytical approach:** SMERA has consolidated the business and financial risk profiles of Alfa Textile, Mahavir Textile, Raj Fabrics and Viva Fab together referred to as the Alfa Group owing to the common ownership, significant financial linkages and fungible cash flows.

**Applicable Criteria:**

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

**Outlook: Stable**

SMERA believes that the company will maintain a stable outlook over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of substantial and sustainable growth in revenues, operating margins or if the company efficiently manages its working capital requirements. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile especially its liquidity position.

**About the Rated Entity**

AT, incorporated in 2003, is a Mumbai-based manufacturing firm promoted by Mr. Ratilal Shah, Mr. Bhagwanji Shah and Mr. Zaverchand Shah. The firm is engaged in the manufacturing of cotton grey cloth and fabrics used in shirting.

For FY2015-16, AT registered profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.12.67 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.12.13 crore in FY2014-15.

For FY2015-16, Alfa Group registered profit after tax (PAT) of Rs.0.61 crore on operating income of Rs.45.94 crore, as compared with PAT of Rs.0.69 crore on operating income of Rs.46.69 crore in FY2014-15.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

**Rating History for the last three years:**

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	4.00	SMERA BB-/Stable (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
Cash Credit	N.A	N.A	N.A	2.50	SMERA BB-/Stable (Assigned)
Term Loan	N.A	N.A	October, 2022	4.00	SMERA BB-/Stable (Assigned)

**Note on complexity levels of the rated instrument:**

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

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**ABOUT SMERA**

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