

Press Release

22 March, 2017

Nash Fashion India Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.44.80 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-' (read as SMERA B minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 44.80 crore bank facilities of Nash Fashion India Limited. The outlook is '**Stable**'.

The Rajasthan based, Nash Fashion (India) Limited (NFIL), was incorporated in 1998 by Mr. Jai Singh Sethia to undertake manufacturing of readymade garments (ladies), grey cotton fabric and finished cotton fabric at Jaipur. The company generates around 90 per cent revenue from export of the aforementioned to Spain, France, Mexico among others. The annual manufacturing capacity of the company is around 3 million pieces, with average utilisation of 70 per cent.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

NFIL was incorporated in 1998. The company has long track record of operations in the textile industry. The company benefits from its experienced management. Mr. Jai Singh Sethia, Director has more than two and half decades of experience in the aforementioned line of business.

Weaknesses

- **Weak financial risk profile**

The weak financial risk profile is marked by interest coverage of 1.22 times in FY2016 as against 1.25 times in the previous year. The net profitability margin stands low at 1.26 percent in FY2016 as against 1.32 percent in FY2015. NFIL has high leverage (debt-equity ratio) of 4.07 times in FY2015-16, which worsened from 3.41 times in FY2014-15. The company has low coverage indicators with DSCR at 0.85 times in FY2015-16 as compared to 0.91 times in FY2014-15. The scale of operations continues to remain modest evident from the operating income of Rs.51.09 cr in FY2015-16, which declined from Rs.65.35 cr in FY2012-13, on account of economic slowdown in European nations (contributes around 90 percent of total revenue).

- **Stretched working capital cycle**

NFIL's operations are working capital intensive evident from the gross current assets of 655 days in FY2015-16 against 489 days in FY2014-15 (refer to financial year, from April 1 to March 31). The high GCA days emanate from the high collection and inventory holding period of 435 days and 170 days respectively in FY2015-16 against 332 days and 201 days during the previous year.

- **Intense competition**

The company faces intense competition from small and large players.

Analytical Approach

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

Outlook: Stable

SMERA believes that NFIL will maintain a stable outlook over the medium term owing to its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' in case NFIL registers strong growth in scale of operations and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of stretch in the working capital cycle or if the company takes on any large debt funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the company reported PAT of Rs. 0.64 cr on operating income of Rs.51.09 cr as compared with PAT of Rs. 0.71 cr on operating income of Rs. 54.07 cr for FY2014-15. The net worth stood at Rs. 14.81 cr (including quasi equity of Rs. 2.41 cr) as on March 31, 2016 as compared with Rs.14.16 cr (including quasi equity of Rs.1.33 cr) a year earlier.

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

None

Any other information

None

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA A4
Term Loan	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA B- / Stable
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B- / Stable
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Shashank Shukla Rating Analyst Tel: 011-49731302 shashank.shukla@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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