

Press Release

Visitor Garments

September 20, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE B+** (**read as ACUITE B plus**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 10.00 crore bank facilities of Visitor Garments (VG). The outlook is '**Stable**'.

VG is a Tirupur-based partnership firm established by Mr. M. Muthukrishnan. The firm manufactures and exports hosiery garments, such as, shirts and pants. The firm exports garments to Germany, Spain, Ireland, Poland and U.K. It has installed capacity of 12,00,000 pieces and the current capacity utilisation is ~90 percent.

The rating revision is in view of deterioration in its business risk profile on account of increase in competition marked by declining revenue trend and less order book visibility.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr. M. Muthukrishnan, Mr. R. Arunachalam, Mr. Visalakshi among others possess experience of around four decades in the textile industry. The firm is engaged in manufacture and export of hosiery garments such as shirts and pants. The manufacturing unit is located at Tirupur, a textile hub enabling easy access to raw material.

Acuité believes that the firm will benefit from its experienced management which helps the firm maintain long standing relations with its customers and suppliers.

- **Moderate working capital operations**

The operations are moderately working capital intensive as evident from Gross Current Asset (GCA) of 158 days in FY2018 (Provisional) as compared to 134 days in FY2017. The GCA is mainly dominated by high inventory holding of 70 days in FY2018 (Provisional) compared to 56 days in FY2017 and the collection period stood at 44 days in FY2018 (Provisional) compared to 43 day in FY2017.

Acuité believes that VG will continue to manage its working capital cycle in order to maintain a stable credit profile.

Weaknesses

- **Declining trend in revenue**

VG shows decline in revenue for the period 31 March, 2018 (Provisional). The firm reported revenue of Rs.36.87 crore in FY2018 (Provisional) as against Rs.43.54 crore in FY2017 and Rs.39.23 crore for FY2016. Further, the firm has booked revenue of Rs.12.50 crore for April to August, 2018. The current orders book stood Rs. 10.00 crore to be executed by January 2019.

Acuité believes that the firm's ability to sustain in the competitive market will be key sensitivity factor.

- **Average financial risk profile**

The financial risk profile is average marked by tangible net worth of Rs.10.74 crore as on 31 March, 2018 (Provisional) as against Rs.10.06 crore in the previous year. The gearing stood low at 0.92 times on 31 March, 2018 (Provisional) as against 0.83 times in the previous year. The total debt of Rs.9.91 crore comprises of working capital borrowings of Rs.8.64 crore and unsecured loan of Rs.1.27 crore. Interest Coverage Ratio (ICR) stood at 1.53 times in FY2018 (Provisional) as against 1.91 times in FY2017. The total liabilities to tangible net worth (TOL/TNW) stood at 1.31 times as on 31 March, 2018 (Provisional) as against 1.68 times in the previous year. The net cash accrals to total debt (NCA/TD) stood at 0.06 times in FY2018 (Provisional) compared to 0.09 times in FY2017.

Going forward, Acuité believes that the firm's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Outlook: Stable

Acuité believes that VG will maintain a stable outlook over the medium term and benefit from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the firm registers substantial growth in revenues and profitability while maintaining debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.87	43.54	39.23
EBITDA	Rs. Cr.	1.61	1.39	1.60
PAT	Rs. Cr.	0.15	0.31	1.17
EBITDA Margin	(%)	4.37	3.18	4.09
PAT Margin	(%)	0.41	0.70	2.97
ROCE	(%)	6.46	6.56	10.52
Total Debt/Tangible Net Worth	Times	0.92	0.83	0.54
PBDIT/Interest	Times	1.53	1.91	3.73
Total Debt/PBDIT	Times	5.80	5.27	2.56
Gross Current Assets (Days)	Days	158	134	143

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

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.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. Cr.)	Ratings/Outlook
11-Jul-2017	Packing Credit	Long Term	10.00	ACUITE BB-/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
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+/Stable (Downgrade)

Contacts

Analytical	Rating Desk
Aditya Gupta Head-Corporate and Infrastructure Sector Ratings Tel:022-67141111 aditya.gupta@acuite.in Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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