

Press Release

Exclusive Fibers Limited

August 08, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 42.96 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 42.96 crore bank facilities of Exclusive Fibers Limited. The outlook is '**Stable**'.

Exclusive Fibers Limited (EFL), incorporated in 2004 is a Delhi-based company promoted and managed by Director, Mr. Rajesh Kr. Aggarwal, Mrs. Meenu Aggarwal, Mr. Laxmi Narayan Taparia and others. The company is engaged in the trading and manufacturing of carpets, rugs and floor covering at Bharuch, Gujarat with installed capacity of ~9 metric tons per month. The company procures raw material i.e. wool, yarn and silk from the local market and also imports the same from UAE and Dubai.

Key Rating Drivers

Strengths

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

EFL, incorporated in 2004, has long track record of 13 years in the textile industry. The Directors have experience of over a decade in the industry.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by networth of Rs.16.35 crore as on 31st March 2017 (Provisional) compared to Rs.12.54 crore in the previous year. Further, the gearing stands at a high of 2.24 times as on 31 March, 2017 (Provisional) compared to 2.31 times as on 31 March, 2016. The high gearing is on account of moderate net worth of Rs.16.35 crore as against total debt of Rs.36.60 crore in FY2016-17. Further, the total debt includes term loan of Rs. 24.93 crore and working capital limit of Rs.7.09 crore. The interest coverage of the company stands at 4.32 times in FY2017 (Provisional) as against 2.21 times in the previous year. The net cash accruals by total debt (NCA/TD) stands at 0.19 times in FY2017 (Provisional) compared to 0.08 times in FY2016. The debt service coverage ratio (DSCR) stood at 1.34 times in FY2016-17 (Provisional) compared to 1.99 times in FY2015-16. SMERA expects the company to continue its moderate risk profile in the medium term. Further the company's ability to improve its net worth along with its debt protection metrics will be the key credit monitorables.

Weaknesses

- **Risk related to economic conditions of the export countries**

The company is engaged in the trading and manufacturing of carpets and rugs and exports the same to USA, UAE, Dubai, etc. thereby exposing itself to risks of economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact orders flow.

• Stretched working capital cycle

The company's working capital cycle is stretched evident from the high gross current assets (GCAs) of 189 days in FY2016-17 (Provisional) compared to 186 days in FY2015-16. The high GCA days in FY2017 is on account of high inventory of 124 days and debtors of 79 days. Further, the liquidity profile is stretched as it has fully utilised its working capital limits.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected revenues and cash accruals, improvement in the financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capex.

About the Rated Entity - Key Financials

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.1.60 crore on operating income of Rs.25.67 crore, compared to net loss of Rs.0.65 crore on operating income of Rs.14.66 crore in FY2016. The net worth stood at Rs.16.35 crore as on 31 March, 2017 (Provisional) against Rs.12.54 crore 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	7.07	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	18.49	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.12	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.46	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.17	SMERA BB- / Stable

Buyers Credit	Not Applicable	Not Applicable	Not Applicable	6.65	SMERA A4+
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ABOUT SMERA

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