

Press Release

UNIQUE FUR N FABRICS PRIVATE LIMITED

October 28, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.61 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) on the Rs. 15.61 crore bank facilities of UNIQUE FUR N FABRICS PRIVATE LIMITED. The outlook is '**Stable**'.

Unique Fur N Fabrics Private Limited (UFPL) was incorporated in 1990 by Mr. Vikash Kundalia. The company is engaged in the manufacturing of grey fabrics used for ladies dress materials and sarees. The main products are furnishing fabrics, air mesh fabrics, automotive fabrics among others.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

UFPL, incorporated in 1990 manufactures grey cloth. The company is led by Mr. Vikash Kundalia and Mr. Vineet Kundalia who possess more than 25 years of experience in the textile industry.

- **Healthy operating margins**

The operating margins improved to 17.69 percent in FY2016-17 (Provisional) from 15.06 percent in FY2015-16 on account of decline in raw material prices of yarn. Further, the net profit margins stood at 3.84 percent in FY2016-17 (Provisional) compared to 3.85 percent in FY2015-16.

- **Moderate financial riskprofile**

The financial risk profile of UFFPL is moderate marked by net worth of Rs. 9.53 crore as on 31 March, 2017 as against Rs. 8.46 crore as on 31 March, 2016. The gearing stood at 1.67 times as on 31 March, 2017 (Provisional) which improved from 2.24 times as on 31 March, 2016. The ICR stood at 2.46 times in FY2016-17 (Provisional) as against 2.72 times in FY2015-16. The DSCR stood at 1.45 times in FY2016-17 (Provisional) compared to 1.57 times in FY2015-16.

- **Established marketing and distribution network**

UFPL has long track record of operations. The company procures around 80 per cent of its raw material from local suppliers. The finished product is sold to manufacturers of dress materials and sarees in and around Gujarat.

Weaknesses

- **Moderate scale of operations**

The company operates on a moderate scale with operating income of Rs.27.94 crore in FY2016-17 (Provisional) compared to Rs. 27.85 crore in FY2015-16.

- **Susceptibility of margins to raw material volatility**

The margins are susceptible to volatility in yarn prices.

- **Working capital intensive business**

The operations are working capital intensive marked by GCA days of 113 in FY2016-17 compared to 131

days in FY2015-16. This was on account of high debtors of 72 days in FY2016-17 (PY: 65 days).

Analytical Approach

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

Outlook: Stable

SMERA believes that UFPL will maintain a stable outlook over the medium term owing to its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues amidst intensifying competition in its area of operation or if the company registers deterioration in its financial risk profile. This could be on account of higher-than-expected increase in debt-funded working capital requirements and capex.

About the Project

None

About the Group

None

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), UFFPL reported net profit of Rs.1.07 crore on operating income of Rs.27.94 crore compared with PAT (profit after tax) of Rs.1.07 crore on operating income of Rs.27.85 crore in the previous year. The net worth stood at Rs. 9.53 crore as on 31 March, 2017 (Provisional) compared to Rs. 8.49 crore in the previous year.

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

CARE, vide release dated February 18, 2016 has suspended the rating of Unique Fur N Fabrics Private Limited on account of lack of adequate information required for monitoring of ratings.

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	6.50	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Jul-2019	1.53	SMERA BB / Stable
Term loans	Not Applicable	Not	28-Feb-2022	7.58	SMERA BB / Stable

Applicable

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