

Press Release

Gautam Silks (GS)

February 22, 2018

Rating Assigned



| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs. 6.50 Cr. |
| Long Term Rating | SMERA B+/ Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.6.50 crore bank facilities of Gautam Silks (GS). The outlook is '**Stable**'.

Gautam Silks (GS) was established in the year of 2005 by Mr. Gautam Malhotra. The company is engaged in manufacturing of silk fabric, with an installed capacity of 170000 metres per month. The manufacturing is located in Bangalore, Karnataka. Company majorly imports its raw material i.e. raw silk directly from China. Company caters to the local retailer and embroiders in local market place of Punjab, Delhi, Kolkata, Bangalore and Mumbai among others.

Key Rating Drivers

Strengths

- Experienced Management:**

The promoter Mr. Gautam Malhotra has rich experience of more than a decade in the textile industry. Over the years, they have been able to establish comfortable relationships with their key customers and suppliers.

- Average financial risk profile:**

The average financial risk profile of the company is marked by moderate networth, high gearing and moderate debt protection metrics. The net worth of the company stood moderate at Rs.4.08 crore in FY2017 as against Rs.4.01 crore in FY2016, mainly on account of retention of profit. The gearing of the company stood high at 1.80 times in FY2017 increased from 0.77 times in FY2016, this is mainly on account of increase in short term debt and unsecured loan taken from the promoters. The interest coverage ratio (ICR) of the company stood moderate at 1.40 times in FY2017 and debt service coverage ratio (DSCR) of the company stood comfortable at 1.40 times in FY2017. The NCA/TD stands low at 0.03 times in FY2017 as compare to 0.09 times in FY2016.

Weaknesses

- Moderate scale of operation:**

The revenue of the company stood moderate at Rs.24.19 crore in FY2017 as compare to Rs.15.30 crore in FY2016. The company has booked Rs.20.00 crore from April till December'2017 (Provisional).

- Working capital intensive nature of operation**

The working capital intensive nature of operation of the company is marked by high gross current asset (GCA) days of 141 in FY2017 as compared to 150 days in the previous year. These high GCA days mainly emanates from high collection days of 79 in FY2017 and 58 days in previous year. Inventory days stand 56 days in FY2017 as compare to 69 days in FY2016.

Analytical Approach

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

Outlook: Stable

SMERA believes GS will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 24.19 | 15.29 | 13.09 |
| EBITDA | Rs. Cr. | 0.67 | 0.47 | 0.33 |
| PAT | Rs. Cr. | 0.18 | 0.22 | 0.22 |
| EBITDA Margin | (%) | 2.78 | 3.05 | 2.51 |
| PAT Margin | (%) | 0.75 | 1.44 | 1.71 |
| ROCE | (%) | 8.15 | 8.07 | 7.97 |
| Total Debt/Tangible Net Worth | Times | 1.80 | 0.77 | 0.55 |
| PBDIT/Interest | Times | 1.40 | 1.87 | 2.25 |
| Total Debt/PBDIT | Times | 9.16 | 5.29 | 4.41 |
| Gross Current Assets (Days) | Days | 141 | 150 | 141 |

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

NA

Any other information

NA

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 | Ratings/Outlook |
|------------------------|------------------|-------------|---------------|-------------------|-----------------|
| Cash Credit | NA | NA | NA | 6.50 | SMERA B+/Stable |

Contacts

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