

Press Release

NITHYABHARATH TEXTILE PRIVATE LIMITED

March 20, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.40 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of **'SMERA BB+' (read as SMERA double B plus)** and short term rating of **'SMERA A4+' (read as A four plus)** to the Rs. 16.40 crore bank facilities of Nithyabharath Textile Private Limited (NTPL). The outlook is **'Stable'**.

NTPL set up as a partnership firm in 1970, by Mr. Thangavell and his father, it was converted to a private limited company in 2004. It is engaged in manufacture and sale of grey fabrics of cotton/viscose and cotton polyester. NTPL operates 48 sulzer looms and 40 air jet looms with a total production capacity of 37,000 meters per day. The capacity utilisation is about 90 – 95 per cent.

Key Rating Drivers

Strengths

Experienced management

Mr. R.S Thangavell (Managing Director) has experience of more than three decades in textile industry and looks after the overall management of the business. In addition to that the company has experienced second line of management, which takes care of various departments such as procurement, production, quality, finance, marketing and communication.

Modernisation, expansion and benefits thereof

The company has been modernizing its manufacturing facilities in addition to expanding in capacity. This has resulted in increased revenue and growth in profitability during the last 2-3 years.

Weaknesses

Moderate financial risk profile

The tangible net worth of NTPL stood at Rs. 4.94 crore as on 31 March, 2017 as against Rs. 3.67 crore as on 31 March, 2016. The debt equity ratio stood at 1.84 times as on 31 March, 2017 as against 3.08 times as on 31 March, 2016. The debt of Rs. 9.11 crore included term loans of Rs. 6.61 crore and working capital borrowings of Rs. 2.28 crore as on 31 March 2017. Interest Coverage Ratio (ICR) improved to 4.40 times for FY 2017 as against 2.86 times in FY2016. Debt Service Coverage Ratio (DSCR), however reduced to 1.60 times in FY 2017 as against 2.06 times in FY2016.

Intense competition and susceptible to volatility in raw material prices

NTPL's profitability and business risk profile is exposed to volatility in raw material prices, as company's main raw material is cotton and wool. Cotton being an agricultural commodity, the company is exposed to price variation due to production of cotton. It is also exposed to intense competition from both organized and unorganized players in the market with resultant impact on the margins.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of NTPL.

Outlook: Stable

SMERA believes NTPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company continues to register healthy growth in revenues along with sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	50.25	27.60	24.28
EBITDA	Rs. Cr.	5.81	2.01	1.25
PAT	Rs. Cr.	1.27	0.17	0.15
EBITDA Margin	(%)	11.57	7.29	5.16
PAT Margin	(%)	2.53	0.62	0.63
ROCE	(%)	22.29	9.22	18.25
Total Debt/Tangible Net Worth	Times	1.84	3.08	0.52
PBDIT/Interest	Times	4.40	2.86	4.98
Total Debt/PBDIT	Times	1.55	5.32	1.43
Gross Current Assets (Days)	Days	42	66	59

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

Not Applicable

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	NA	NA	NA	2.50	SMERA BB+ / Stable
Proposed Cash Credit	NA	NA	NA	2.50	SMERA BB+ / Stable
Term Loan	NA	NA	NA	4.00	SMERA BB+ / Stable
Proposed Term Loan	NA	NA	NA	5.00	SMERA BB+ / Stable
Proposed Long term Bank Facility	NA	NA	NA	1.85	SMERA BB+ / Stable
Bank Guarantee	NA	NA	NA	0.55	SMERA A4+

Contacts

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ABOUT SMERA

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