

Press Release

NAKSHATRA CREATIONS PRIVATE LIMITED

23 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 Crore
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 double B minus)** on the Rs. 7.50 crore bank facilities of Nakshatra Creations Private Limited (NCPL). The outlook is '**Stable**'.

The Surat-based NCPL was established in 2006 by Mr. Kanav Arora and Mr. Sizer Lakhani. The company is engaged in the manufacture and export of sarees, women's garments (salwaar-kameez, lehengas and bridal wear) under the brand names, Nakkashi, Nairra and Womaniya. The company caters to clients in India, UAE, Dubai, America, US, Bangladesh to name a few.

Key rating drivers

Strengths

• Experienced management

The promoters, Mr. Kanav Arora and Mr. Sizer Lakhani, have over a decades experience in the textile industry. The extensive experience of the promoters has helped the company establish long term relations with clients.

• Average financial riskprofile

The financial risk profile is marked by net worth of Rs.4.62 crore in FY2017 (includes unsecured loans from promoters of Rs.1.22) and Rs.4.63 crore in FY2016 (includes unsecured loans from promoters of Rs.1.36). The debt-equity ratio stood at 1.71 times in FY2017 as compared to 2.01 times in FY2016. The ICR stood at 1.99 times in FY2017 as compared to 2.00 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.02 times in FY2017 as compared to 1.34 times in FY2016.

• Brand recognition

The aforementioned brands have gained recognition across countries.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 207 in FY2017 and 312 in FY2016. The GCA days stood high due to high debtor days of 154 in FY2017 and 124 in FY2016.

• Competitive and fragmented industry

NCPL faces competition from a large number of players in the textile industry which affects operating margins and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company to arrive at the

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rating.

Outlook- Stable

SMERA believes that NCPL will maintain a stable outlook over the medium term on the back of its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while maintaining profitability resulting in improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue, profitability or further elongation of the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	24.78	24.82	32.78
EBITDA	Rs. Cr.	2.16	2.03	1.85
PAT	Rs. Cr.	0.13	0.05	0.02
EBITDA Margin	(%)	8.72	8.19	5.65
PAT Margin	(%)	0.52	0.18	0.07
ROCE	(%)	9.97	9.60	20.39
Total Debt/Tangible Net Worth	Times	1.71	2.01	2.38
PBDIT/Interest	Times	1.99	2.00	1.98
Total Debt/PBDIT	Times	3.57	4.50	3.67
Gross Current Assets (Days)	Days	207	312	167

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>
- Trading Entities- <https://www.smera.in/criteria-trading.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable

Contacts

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ABOUT SMERA

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