

## Press Release

Hayward Synthetics Private Limited

July 27, 2018

### Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 crore bank facilities of Hayward Synthetics Private Limited. The outlook is '**Stable**'.

Hayward Synthetics Private Limited (HSPL) is a Mumbai based company established in 1991 by Mr. Pramod Daga and Mr. Nilesh Goyal. The company is engaged in manufacturing and exporting of suiting and shirting fabrics. The company has installed production capacity of 6 lakhs meter per month out of which the utilisation is around 60 percent. The company has manufacturing plant in Umergaon (Gujarat) and Tarapur (Maharashtra).

### Key Rating Drivers

#### Strengths

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

HSPL is managed by Mr. Pramod Daga and Mr. Nilesh Goyal who has experience of over two decades in this industry. The company provides the fabrics in domestic textile market as well as in foreign market to reputed customers like Raymond, Pantaloon and many more.

#### Weaknesses

- **Below average financial risk profile**

The below average financial risk profile is marked by modest net worth, comfortable debt protection metrics and gearing. The net worth stood modest at Rs.8.01 crore as on 31 March, 2017 as compared to Rs.7.86 crore in the previous year. The debt protection metrics is marked by healthy interest coverage ratio and DSCR of 1.52 times and 0.96 times as on 31 March, 2017 as compared to 1.77 times and 1.60 times respectively in the previous year. The gearing (debt-equity) stood high at 2.19 times as on 31 March, 2017 as compared to 2.30 times in the previous year.

- **Stretched liquidity position**

The operations are working capital intensive marked by high Gross Current Asset days of 301 for FY2017, which increased from 199 days in FY2016. This is on account of increase in inventory days to 151 in FY2017 from 96 in FY2016 and debtors days to 161 in FY2017 from 100 in FY2016. Further, the average cash credit has been fully utilised for the last six months ended March, 2018.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of HSPL to arrive at the rating.

### Outlook: Stable

Acuite believes that HSPL will maintain a 'Stable' outlook over 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. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, deterioration in its financial risk profile or further stretch in working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	47.10	36.26	42.02
EBITDA	Rs. Cr.	5.09	3.80	4.03
PAT	Rs. Cr.	1.69	0.14	0.32
EBITDA Margin	(%)	10.81	10.49	9.58
PAT Margin	(%)	3.59	0.39	0.75
ROCE	(%)	31.53	10.64	10.29
Total Debt/Tangible Net Worth	Times	1.81	2.19	2.30
PBDIT/Interest	Times	2.77	1.52	1.77
Total Debt/PBDIT	Times	3.37	4.55	4.45
Gross Current Assets (Days)	Days	201	300	198

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

ICRA has moved the rating of Hayward Synthetics Private Limited to the 'ISSUER NOT COOPERATING' category on 15 November, 2017 due to non-submission of monthly 'No Default Statement' ('NDS') by the entity.

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.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	8.00	ACUITE BB- / Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Assigned)

## Contacts

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### About Acuité Ratings & Research:

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