Press Release

Naveena Printing Mill

August 23, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.62 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' **(read as ACUITE double B minus)** to the Rs. 9.62 crore bank facilities of Naveena Printing Mill (NMP). The outlook is **'Stable'**.

Established in 2009, NPM is an Erode based partnership firm promoted by Mr. A Rajkumar. The firm is engaged in printing of woven and knitted fabrics. The entity has a processing plant in Erode (Tamil Nadu) with an installed capacity of 90000 meters per day. It is also certified by GOTS (Global Organic Textile Standards). The entity was incorporated as a proprietorship firm in 1993 and was converted to a partnership firm in 2009.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Naveena Printing Mill to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

  The promoter has around three decades of experience in the textile printing business. Before starting the entity, the promoter ran a proprietorship firm for over 15 years till 2009. The entity benefits from over a decade of good relationship with major clients in the industry. The entity has a team of experienced engineers and designers work in close proximity with theclients.

- **Moderate working capital management**

  Naveena Printing Mill has moderate working capital operations as evident from Gross Current Assets (GCA) of 66 days as on March 31, 2018 (Provisional) as against 142 days as on March 31, 2017. The inventory days ranged from 4 to 9 days and debtor days ranged from 42 to 56 days during FY15-FY18. The firm gives credit of up to a month to its customers. Moderate working capital management helps in managing the business with minimal amount of working capital debt of about Rs.1.80 crore, and the bank lines are utilised at about 94 percent over six months through June 2018. However, creditor days were stretched to the extent of 250 days over the years under review due to year end balances of 70 odd suppliers.

  Acuité believes that the working capital operations of the company will remain moderate as evident from moderate collection mechanism and moderate inventory levels in the business.

Weaknesses

- **Below-average financial risk profile**

  The financial risk profile is marked by high gearing and low net worth levels, however supported by comfortable debt protection metrics. The net worth is modest at Rs.2.90 crore as on 31 March, 2018 (Provisional), decreased by Rs.0.49 crore as compared to 31 March, 2017 owing to withdrawal of partner's capital. Gearing is high at 2.63 times (Provisional) as on March 31, 2018 as compared to 2.18 times as on March 31, 2017. Tangible net worth to total outside liabilities (TOL/TNW) also stood high at 4.63 times as on March 31, 2018 (Provisional) as compared to 3.62 times as on March 31, 2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 2.69 times and 0.20 times respectively for FY2018 (Provisional).

Acuité believes that the financial risk profile is expected to improve marginally over the medium term, owing to improving business risk profile with moderate accretion to reserves and absence of significant capex plans over the medium term.

- **Risk of capital withdrawals associated with a partnership firm**
NPM is a partnership firm and thus remains exposed to any significant withdrawal from its capital account, which could impact its capital structure and hence, the net-worth position. In FY2018, the entity has withdrawn capital of Rs.50.00 lacs.

Outlook: Stable

Acuité believes that the outlook on Naveena Printing Mill will remain 'Stable' over the medium term on account of the experience of the promoters in the textile industry. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.69	13.23	15.51
EBITDA	Rs. Cr.	2.34	2.34	2.28
PAT	Rs. Cr.	0.20	0.18	0.22
EBITDA Margin	(%)	13.22	17.72	14.72
PAT Margin	(%)	1.14	1.37	1.44
ROCE	(%)	10.21	9.61	10.74
Total Debt/Tangible Net Worth	Times	2.63	2.18	2.25
PBDIT/Interest	Times	2.69	3.18	3.11
Total Debt/PBDIT	Times	3.20	2.79	3.03
Gross Current Assets (Days)	Days	94	142	73

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.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
Term loans	Not Applicable	Not Applicable	Not Applicable	7.82	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BB- / Stable

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About Acuité Ratings & Research:
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