

Press Release

Top Gear Fashions

October 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 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 BB plus**) on the Rs. 8.00 crore bank facilities of Top Gear Fashions. The outlook is '**Stable**'.

The Ludhiana based, Top Gears Fashions was established in 2016. The partnership firm is engaged in the manufacturing of knitted fabrics.

Key Rating Drivers

Strengths

- **Experienced management**

TGF was established in 2016 by Mr. Jain and family. The partners, Mr. Dharamvir Jain and Mohinder Kumar Jain have an experience of more than five decades in the textile business. Mr. Ashok Kumar Jain who handles the day to day operations of the business has an experience of more than 3 decades in the textile industry.

- **Comfortable working capital management**

The company has a comfortable working capital management marked by Gross Current Assets (GCA) of 106 days in FY2018 as compared to 181 days in FY2017. The debtor and inventory days stood comfortable at 25 and 26 respectively for FY2018.

Weaknesses

- **Susceptibility of profit margins to raw material price**

The operating margins are susceptible to raw material price fluctuation.

- **Highly competitive and fragmented industry**

The firm operates in a highly competitive and fragmented textile industry. The firm faces competition from various players.

- **Nascent stage of operations**

TGF has a short track record of operations as it started its commercial operations from April 2016. The firm earned revenue of Rs.61.56 crore in FY2018 as against Rs.23.01 crore in FY2017. The firm generated a revenue of ~Rs.22.50 crore till September 2018.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Top Gear Fashions to arrive at the rating.

Outlook: Stable

Acuité believes that Top Gear Fashion will maintain a 'Stable' outlook on account of the management's extensive experience in the textile business. The outlook may be revised to 'Positive' in case of sustained increase in revenue and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	61.56	23.01	0.00
EBITDA	Rs. Cr.	9.31	2.77	0.00
PAT	Rs. Cr.	7.44	2.19	0.00
EBITDA Margin	(%)	15.13	12.03	0.00
PAT Margin	(%)	12.09	9.50	0.00
ROCE	(%)	27.87	21.79	0.00
Total Debt/Tangible Net Worth	Times	1.59	0.52	0.00
PBDIT/Interest	Times	53.82	6.30	0.00
Total Debt/PBDIT	Times	2.45	2.47	0.00
Gross Current Assets (Days)	Days	106	181	0

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

Not Applicable

Any other information

Not Applicable

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	4.95	ACUITE BB+ / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE BB+ / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.15	ACUITE BB+ / Stable

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About Acuité Ratings & Research:

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