

Press Release

Yuvika Silk Mills Private Limited

November 23, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.50 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 minus**) on the Rs. 5.50 crore bank facilities of Yuvika Silk Mills Private Limited. The outlook is '**Stable**'.

The Surat-based, Yuvika Silk Mills Private Limited (YSMPL) was incorporated in 2009 by Mr. Jitendra Brahmbhatt Barot and his two sons, Mr. Premal Barot and Mr. Naman Barot. The company is engaged in manufacturing nylon-based silk fabric and prepares sarees particularly for Meghdoot Textiles Private Limited. YSMPL has installed capacity of producing fabric of 60000 metre per month. Other allied activities like Bleaching and dyeing are being outsourced by YSMPL.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Jitendra Brahmbhatt Barot, the managing director of the company possesses experience of around two decades in Textile industry. Mr. Jitendra Brahmbhatt Barot is supported by second generation management, Mr. Premal Barot and Mr. Naman Barot who have been engaged with the company since inception. Acuité believes that YSMPL will sustain its existing business profile on the back of its experienced management.

- **Efficient working capital management**

YSMPL has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 60 days for FY2018 as against 99 days in FY2017. This company's inventory days stood at 15 for FY2018. Debtors days stood at 41 for FY2018 as against 69 for FY2017. Further, the bank limit utilization for last six months stood at an average of 50% per cent ending October 2018. Acuité believes that the YSMPL's ability to maintain its working capital efficiently will remain a key to maintain a stable credit profile.

Weaknesses

- **Average financial risk profile**

The financial risk profile of YSMPL is average marked by low net worth and debt coverage indicators. The net worth stood at Rs.2.57 crore in FY2018 as against Rs.1.88 crore in FY2017. Gearing (debt-equity) stood at 3.06 times as on 31 March, 2018 as against 3.13 times as on 31 March, 2017. The total debt of Rs.7.87 crore as on 31 March 2018 comprises of unsecured loans from promoters and relatives of Rs.4.10, Rs.3.46 crore as working capital borrowings from the bank and Rs.0.31 crore as term loan. The interest coverage ratio stood at 3.88 times in FY2018 as against 2.85 times in FY2017. Total outside liabilities to tangible net worth (TOL/TNW) of the company stood high at Rs.3.86 crore in FY2018 as against Rs.4.27 crore in FY2017. Acuité believes that the financial risk profile of YSMPL will remain average over the medium term in the absence of any major capital expenditure plan.

- **Customer concentration risk**

YSMPL is exposed to customer concentration risk as the company derives 99 percent of its revenue from a single customer i.e. Meghdoot Textiles Private Limited.

Outlook: Stable

Acuité believes that YSMPL will maintain a 'Stable' outlook over the medium term and continue to benefit from its experienced management and efficient management of working capital cycle. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	35.24	24.82	12.30
EBITDA	Rs. Cr.	2.63	1.51	0.59
PAT	Rs. Cr.	0.69	0.15	0.03
EBITDA Margin	(%)	7.47	6.10	4.81
PAT Margin	(%)	1.95	0.60	0.25
ROCE	(%)	18.37	12.11	10.41
Total Debt/Tangible Net Worth	Times	3.06	3.13	1.21
PBDIT/Interest	Times	3.88	2.85	2.97
Total Debt/PBDIT	Times	2.98	3.87	4.45
Gross Current Assets (Days)	Days	60	99	104

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable

Contacts

Analytical	Rating Desk
Avadhoot Mane Senior Analyst - Rating Operations Tel: 022 49294022	Varsha Bist Manager - Rating Desk Tel: 022-67141160
avadhoot.mane@acuiteratings.in Simranjeet Kaur Analyst - Rating Operations Tel: 02249294023 Simranjeet.Kaur@acuiteratings.in	rating.desk@acuite.in

About Acuité Ratings & Research:

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