

Press Release

Yuvika Silk Mills Private Limited

D-U-N-S® Number: 67-548-1284



October 15, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 5.50 crore bank facilities of YUVIKA SILK MILLS PRIVATE LIMITED (YSMPL). The outlook is '**Stable**'.

Surat-based, 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 of nylon-based silk fabric and prepares sarees. YSMPL has installed capacity of producing fabric of 60,000 meter per month. Other allied activities such as 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 an experience of around two decades in the textile industry. Mr. Jitendra Brahmbhatt Barot is supported by second generation management, Mr. Premal Barot and Mr. Naman Barot, who have been engaged in business since inception.

Acuité believes that YSMPL will sustain its existing business profile on the back of its experienced management.

- **Above average financial risk profile**

YSMPL has above average financial risk profile marked by moderate net worth, moderate gearing and healthy debt protection metrics. The tangible net worth stood at Rs .3.94 crore as on 31 March, 2019 as against Rs. 2.57 crore as on 31 March, 2018. This increase in net worth is on the account of equity infusion by the promoters. The gearing improved to 1.67 times as on 31 March, 2019 as against 3.06 times as on 31 March, 2018. The total debt of Rs. 6.55 crore as on 31 March, 2019 consists of unsecured loans from promoters of Rs. 3.79 crore, working capital borrowing of Rs. 2.64 crore and term loan of Rs. 0.13 core. The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR), which stood at 5.27 times for FY2019. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.28 times in FY2019. Further, Total Outside Liabilities to Tangible Net Worth stood at 2.57 times as on 31 March, 2019 against 3.86 times as on 31 March, 2018.

Acuité believes that the company will sustain its financial risk profile in the near to medium term.

Weaknesses

- **Uneven revenue profile**

YSMPL has registered uneven trend in revenues under the period of study on account of fluctuations in demand from one major customer, 'Meghdoot Textiles Private Limited'. The revenues of the company have been reported at Rs.31.41 crore in FY2019 declined from Rs. 35.24 crore in FY2018 and Rs. 24.82 crore in FY2017. Volatile revenues are owing to customer concentration; YSMPL derives 90 per cent of the revenue from 'Meghdoot Textiles Private Limited'. However, the operating margins have improved to 8.56 per cent in FY2019 from 7.47 per cent in FY2018. Improving its revenues and sustaining the profitability margins are key rating sensitivity factors over the medium term.

Rating Sensitivities

- Substantial improvement in scale of operation, while improving profitability margin.
- Elongated working capital cycle

Material covenants

None

Liquidity: Adequate

Liquidity profile of YSMPL is adequate reflected by sufficient net cash accruals against its maturing debt obligations. YSMPL has reported cash accruals of Rs.1.86 crore in FY2019 and expected to generate cash accruals in the range of Rs.1.00-2.00 crores over the medium term. The repayment obligations are of Rs. 0.13 crore for the period FY2020-2021. The utilisation of working capital limits more than 70 per cent. The current ratio stood at 1.45 times in FY2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual against no major debt repayments.

Outlook: Stable

Acuité believes that YSMPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue, while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues or in case of deterioration in the company's financial risk.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	31.41	35.24	24.82
EBITDA	Rs. Cr.	2.69	2.63	1.51
PAT	Rs. Cr.	0.85	0.69	0.15
EBITDA Margin	(%)	8.56	7.47	6.10
PAT Margin	(%)	2.72	1.95	0.60
ROCE	(%)	16.64	18.37	12.11
Total Debt/Tangible Net Worth	Times	1.67	3.06	3.13
PBDIT/Interest	Times	5.27	3.88	2.85
Total Debt/PBDIT	Times	2.42	2.98	3.87
Gross Current Assets (Days)	Days	108	60	99

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Nov-2018	Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Assigned)
	Term loan	Long Term	0.50	ACUITE BB- / Stable (Assigned)

***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 (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head – Corporate and Infrastructure Sector Ratings Tel: 022 49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Simranjeet Kaur Analyst - Rating Operations Tel: 022-49294052 simranjeet.kaur@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.