

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

Acuite 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

Acuite 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.

Acuite 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 crore. 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.

Acuite 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. Acuite 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

Acuite 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)

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About Acuité Ratings & Research:

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