

Press Release

Yuvika Silk Mills Private Limited

December 31, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.5.50 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.5.50 crore bank facilities of Yuvika Silk Mills Private Limited.

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from company and no dues certificate received from bankers.

About the Company

YSMPL is a Surat based company incorporated in 2009. The company is promoted by Mr. Jitendra 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 taken the standalone view of the business and financial risk profile of YSMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

Mr. Jitendra, the managing director of the company, possesses an experience of around two decades in the textile industry. He 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 and will continue to benefit on the back of its experienced management.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by low net worth, low gearing (debt-equity) and moderate debt protection metrics. The tangible net worth of the company stood at Rs.5.47 crore as on 31 March, 2020 (Provisional) as compared to Rs.3.94 crore as on 31 March, 2019. The total debt of the company as on 31 March, 2020 (Provisional) stood at Rs.6.62 crore, which includes Rs.3.96 crore of unsecured loans from promoter and Rs.2.66 crore of short term debt. The gearing (debt-equity) stood moderate at 1.21 times as on 31 March, 2020 (Provisional) as against 1.67 times as on 31 March, 2019. Interest Coverage Ratio stood at 4.75 times for FY2020 (provisional) as against 5.27 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) also stood modest at 1.87 times as on 31 March, 2020 (Provisional) as compared to 2.57 times on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.35 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 4.04 times in FY2020 (Provisional) as against 4.62 times in FY2019.

Weaknesses

- **Intensive working capital management**

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 147 days in FY2020 (Provisional) and 108 days in FY2019. The receivable days stood at 65 days in FY2020 (Provisional) as against 49 days in FY2019. The inventory days stood at 76 days in FY2020 (Provisional) as against 55 days in FY2019. The average bank limit utilisation stood low at ~46 percent for the past five months ending October 2020.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

• **Steady decline in revenue**

YSMPL has shown steady decline in its revenue during the period under study, i.e. from FY2017 to FY2020 (Provisional). The company registered revenue of Rs.31.41 core in FY2019, as against Rs.35.24 crore in FY2018. As per the provisional figures available for FY2020, the company has registered a revenue of Rs.28.96 crore. Going forward, improving its revenues and sustaining the profitability margins are key rating sensitivity factors over the medium term.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity: Adequate

The company's liquidity profile is adequate marked by moderate net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.0.92-2.30 crore through FY2018-20 no maturing debt obligations. The working capital management of the company is intensive marked by GCA days of 147 days in FY2020 (Provisional) as against 108 days in FY2019. The company maintains low unencumbered cash and bank balances of Rs.0.09 crore as on March 31, 2020 (Provisional). The current ratio stands modest at 1.78 times as on March 31, 2020 (Provisional). The average bank limit utilization for the past 5 months ending October 2020 is ~ 46 percent.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	28.96	31.41
PAT	Rs. Cr.	1.53	0.85
PAT Margin	(%)	5.29	2.72
Total Debt/Tangible Net Worth	Times	1.21	1.67
PBDIT/Interest	Times	4.75	5.27

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Oct-2019	Cash Credit	Long Term	5.00	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BB-/Stable (Reaffirmed)
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- (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	0.50	ACUITE BB- (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Vishal Kotian Analyst - Rating Operations Tel: 022-49294064 vishal.kotian@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research 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.