

Press Release

Nahar Textiles Private Limited

November 29, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 18.00 crore bank facilities of Nahar Textiles Private Limited (NTPL). The outlook is '**Stable**'.

NTPL was incorporated in 1982 by Mr. Navinchandra Nahar. NTPL is engaged in manufacturing and exporting of fabrics and garments (Mens wear), which includes T-shirts, Shirts, Shirting and Suiting. The company has over 3 decades (36 years) of experience in the garment business and have been exporting to most of the European countries, Latin America, South Asia, Middle East, Far East and Africa over the past two and half decades. It sells its products under the brand name 'NIVADA' since 2000.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established presence in the textile industry and experienced management**

NTPL incorporated in 1982 by Mr. Navinchandra Nahar is engaged in manufacturing and exporting of fabrics and garments. It has established market presence in the industry for over three decades. The company has established healthy relationships with customers and suppliers. It derives ~80 percent of its income from export market. Acuité believes that NTPL will sustain the existing business profile on the back of established market presence in the textile industry and healthy customer relationship over the near to medium term.

Weaknesses

- **Decline in revenues**

NTPL has registered revenue decline of ~41.67 percent in FY2018. The revenues declined to Rs.28.98 crore in FY2018 from Rs.49.69 crore in FY2017. The decline was mainly due to loss of orders from customers due to GST. The PAT margin deteriorated to negative 7.58 percent in FY2018 as against 7.08 percent in FY2017 as against 5.13 percent in FY2016. The net cash accruals deteriorated to negative Rs.0.79 crore in FY2018 from Rs.4.94 crore in FY2017. Acuité believes that NTPL will continue to face intense competition from other local players in RMG segment and other international markets such as Taiwan, Vietnam and Bangladesh amongst others in near to medium term.

- **Working capital intensive nature of operation**

The working capital management is marked by Gross Current Assets (GCA) of 274 days in FY2018 as against 173 days in FY2017. The company maintains inventory of around 90 days on an average and extends clean credit of around 90 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 145 days and 123 days in FY2018 as against 86 days and 101 days in FY2017, respectively. Acuité believes that the working capital requirements will continue to remain high over the medium term on account of its high inventory requirements to cater to spot orders.

• Average financial risk profile

The financial risk profile is average marked by moderate net worth and low gearing. The net worth of the company is moderate at around Rs.22.38 crore as on 31 March, 2018 as against Rs.24.57 crore as on 31 March, 2017. The deterioration in net worth is on account of net losses of Rs.2.20 crore. The company has followed a conservative financial policy as reflected by peak gearing of 0.53 times over the last three years through 2017-18. The gearing of the company has further improved to around 0.45 times as on March 31, 2018.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.93 times as on 31 March, 2018 as against 0.85 times as on 31 March, 2017. Interest Coverage Ratio (ICR) remained weak at negative 1.57 times in FY2018 and 7.61 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at negative 0.08 times as on 31 March, 2018 as against 0.63 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 0.05 times in FY2018 as against 6.16 times in FY2017. Acuite believes that the financial risk profile of NTPL will continue to remain average over the medium term on account of conservative financial policy and expected improving scale of operations.

• Competitive and fragmented industry

NTPL operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.98	49.69	54.59
EBITDA	Rs. Cr.	-2.74	3.95	7.37
PAT	Rs. Cr.	-2.20	3.52	2.80
EBITDA Margin	(%)	-9.47	7.94	13.50
PAT Margin	(%)	-7.58	7.08	5.13
ROCE	(%)	-7.84	16.63	33.43
Total Debt/Tangible Net Worth	Times	0.45	0.32	0.53
PBDIT/Interest	Times	-1.57	7.61	4.37
Total Debt/PBDIT	Times	-7.49	1.07	1.53
Gross Current Assets (Days)	Days	274	174	147

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

Not Applicable

Any other information

None

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)

0. 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	0.50	ACUITE B+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE B+ / Stable
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B+ / Stable

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About Acuite Ratings & Research:

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