

Press Release

Future Texwear Exports Private Limited

December 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) to the Rs. 6.00 crore bank facilities of Future Texwear Exports Private Limited (FTEPL). The outlook is '**Stable**'.

Incorporated in 2017, Future Texwear Exports Private Limited (FTEPL) is engaged in manufacturing of garments i.e. shirts of men and women. The day to day operations are managed by Mr. Mani Vasugi Anandh Krishna. The company's processing unit is at Poonamallee in Chennai (Tamil Nadu). The total installed capacity is 70000 pieces per month. Its major customers are Future Lifestyles Fashion limited and Reliance Retail Limited. The commercial operations have started in July, 2017.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The Promoters, Mr. Mani Vasugi Anandh Krishna, Ms. Latha Perumal Kamalakannan, Mr. Ponnuswamy Mani, Mr. Vasuki Mani and Mr. Saravana Krishna Mani have been in the garment processing business for around three decades. FTEPL commenced operations in the leased premises belonging to the Director's family members. Within a short term of operations, the management was successful in getting orders from industry's majors such as Reliance Retail and Future Lifestyle. Acuité believes that the entrepreneurial experience of the promoters is expected to support in improving the business risk profile of FTEPL in the near to medium term.

Weaknesses

- **Weak financial risk profile**

The financial risk profile is weak marked by low net worth and weak debt protection measures and high gearing. The net worth of the company is low at Rs.0.48 crore as on 31 March, 2018. The gearing of the company has stood high at 8.73 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 11.54 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.35 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.01 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 1.35 times for FY2018.

- **Intensive working capital operations**

FTEPL has intensive working capital operations marked by Gross Current Assets (GCA) of 208 days in FY2018. The inventory and debtors levels stood at 5 and 239 days in FY2018, respectively. As a result, the average utilisation of bank limits stood high at ~ 80 percent in the last six months ending September 30, 2018.

- **Nascent stage of operations and highly competitive and fragmented industry**

The company has initiated operations from July 2017, and posted revenue of Rs.9.49 crore for FY2018. In the current year, for six months ended September 2018, the company has registered revenues of around Rs.11.00 crore. Further, Acuité believes that the revenues are expected to be in the range of Rs.25.00 - 30.00 crore over the medium term. Despite the expected growth, FTEPL is a modest player in the industry dominated by large domestic organised and unorganised players.

Outlook: Stable

Acuité believes that FTEPL will maintain 'Stable' outlook over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in FTEPL's operating income or profitability, while improving its working capital cycle and capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to further weakening of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	9.49	NA	NA
EBITDA	Rs. Cr.	0.25	NA	NA
PAT	Rs. Cr.	0.05	NA	NA
EBITDA Margin	(%)	2.60	NA	NA
PAT Margin	(%)	0.48	NA	NA
ROCE	(%)	9.74	NA	NA
Total Debt/Tangible Net Worth	Times	8.73	NA	NA
PBDIT/Interest	Times	1.35	NA	NA
Total Debt/PBDIT	Times	17.13	NA	NA
Gross Current Assets (Days)	Days	208	NA	NA

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	2.00#	ACUITE B- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.00#	ACUITE B- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B- / Stable

#OCC and PC are interchangeable to the tune of Rs.5.00 crore.

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About Acuité Ratings & Research:

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