

Press Release

Prink Fashions Private Limited

D-U-N-S® Number: 87-185-6784

March 07, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.28 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. 7.28 crore bank facilities of Prink Fashions Private Limited (PFPL). The outlook is '**Stable**'.

Incorporated in 2004, Prink Fashion Private Limited (PFPL) is engaged in dyeing and printing of fabric. The day to day operations are managed by its Directors, Mr. Shrikrishna Ramchandra Yadav and Mr. Pratik Shrikrishna Yadav. The company has manufacturing unit located at Surat (Gujarat) with installed capacity of 60000 meters per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Prink Fashion Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The company is promoted by its Managing Director, Mr. Shrikrishna Ramchandra Yadav, who has experience of more than three decades in textile industry. Director Mr. Pratik Shrikrishna Yadav who has pursued B.E. Mechanical and MBA in production and operation management. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that PFPL will continue to benefit from its experienced management and established relationships with customers.

Weaknesses

• Nascent stage of operations

The company had started its operations in September 2018. At present, the unit is fully operational. The company reported operating income of Rs.0.09 crore in FY2018 as against Rs.0.30 crore in FY2017. The company had demolished its old production unit in March 2016 and developed it with automated machines by March 2017. Till that time, the company carried out operations with old machines at place adjacent to the unit.

• Average financial risk profile

The financial risk profile is average marked by below average net worth and high gearing. The net worth stood below average at Rs.0.27 crore as on 31 March, 2018 as against Rs.0.27 crore as on 31 March, 2017. The gearing of stood high at 2.75 times as on March 31, 2018 as against 0.68 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.81 times as on 31 March, 2018 as against 1.24 times as on 31 March, 2017. Debt-EBITDA stood high at 16.81 times for FY2018 as against 5.72 times for FY2018.

Acuité believes that the financial risk profile will remain average in the medium as the company has acquired term loans of around Rs.5.80 crore for the purchase of new machineries. Further, the timely repayment of the term loans will be key rating sensitivity.

• Intensive working capital operations

PFPL has intensive working capital operations marked by high Gross Current Assets (GCA) of 177 days in FY2018 as against 52 days in FY2017. As a result, bank limit is fully utilised in the last six months ending January 2019. Acuite believes that the working capital requirements will continue to remain intensive over the medium term since the commercial production has just started in September 2018 and the company would require time to settle down.

Liquidity Position

PFPL has stretched liquidity marked by below average net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.0.03 to 0.04 crore during the last three years through 2017-18. Company's repayment obligations are estimated to be around Rs. 0.90 Crore. Its operations are working capital intensive as marked by high gross current asset (GCA) days of 177 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit is fully utilized during the last 6 months period ended January, 2019. The company maintains unencumbered cash and bank balances of Rs.0.01 crore as on March 31, 2018. The current ratio of the group stands healthy at 2.51 times as on March 31, 2018. The company is likely to incur capex of around Rs.8.80 crore over the medium which is likely to be funded by equity and external borrowing. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of modest scale of operations and major repayments over the medium term.

Outlook: Stable

Acuite believes that PFPL will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in PFPL's operating income or profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.09	0.30	0.44
EBITDA	Rs. Cr.	0.04	0.02	0.03
PAT	Rs. Cr.	0.00	0.01	0.00
EBITDA Margin	(%)	44.37	6.40	7.84
PAT Margin	(%)	4.29	2.61	0.84
ROCE	(%)	0.69	2.58	3.44
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	177	52	107

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

None

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)

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	1.00	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.28	ACUITE B- / Stable

Contacts

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About Acuité Ratings & Research:

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