

Press Release

Prink Fashions Private Limited

September 23, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 7.28 Cr.
Short Term Rating	ACUITE D (Downgraded from ACUITE B-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) to '**ACUITE D**' (**read as ACUITE D**) on the Rs. 7.28 crore bank facilities of PRINK FASHION PRIVATE LIMITED (PFPL).

The downgrade is reflected by irregularities in banking conduct.

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

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of prink fashion private limited.

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by its managing director, Mr. Shrikrishna Ramchandra Yadav who possess 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

- **Delays in debt servicing**

There has been a delay in repayment of interest and principal payment of term loans.

- **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.1.53 crore in FY2019 as against Rs.0.09 crore in FY2018. Company had demolished its old production unit in March, 2016 and developed it with automated machines by March, 2017. Till that time it was carrying out operations with old machines at place adjacent to the unit.

- **Average financial risk profile**

The financial risk profile is average marked by low net worth and high gearing. The net worth of the company is low at Rs.2.41 crore as on 31 March, 2019 as against Rs.1.03 crore as on 31 March, 2018. The gearing of the company has stood high at 2.62 times as on March 31, 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.96 times as on 31 March, 2019 as against 0.02 times as on 31 March, 2018. Debt-EBITDA stood high at 23.36 times for FY2019.

- **Intensive working capital operations**

PFPL has intensive working capital operations marked by high Gross Current Assets (GCA) of 806 days in FY2019 as against 177 days in FY2018. As a result, bank limit is utilization is high around 90 per cent in the last six months ending August, 2019. Acuite believes that the working capital requirements will continue to remain intensive over the medium term since the commercial production have just started in September, 2018 and company would require time to settle down.

Liquidity Position:

PFPL has stretched liquidity. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 806 in FY2019. This has led to higher reliance on working capital borrowings, the cash credit limit in the company remains utilized at ~90 per cent during the last 6 months' period ended August, 2019. The company maintains unencumbered cash and bank balances of Rs.1.03 crore as on March 31, 2019. The current ratio of the company stood at 2.52 times as on March 31, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	1.53	0.09	0.30
EBITDA	Rs. Cr.	0.26	0.04	0.02
PAT	Rs. Cr.	(0.23)	0.00	0.01
EBITDA Margin	(%)	17.17	44.37	6.40
PAT Margin	(%)	(14.76)	4.29	2.61
ROCE	(%)	3.54	0.69	2.58
Total Debt/Tangible Net Worth	Times	2.62	-	-
PBDIT/Interest	Times	0.68	-	-
Total Debt/PBDIT	Times	23.36	-	-
Gross Current Assets (Days)	Days	806	177	52

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
07-Mar-2019	Cash Credit	Long Term	1.00	ACUITE B-/Stable (Assigned)
	Term Loan	Long Term	6.28	ACUITE B-/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	1.00	ACUITE D (Downgraded from ACUITE B-/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.28	ACUITE D (Downgraded from ACUITE B-/Stable)

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About Acuité Ratings & Research:

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