

Press Release

TL Fashion

D-U-N-S® Number: 67-548-4123

April 03, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.50 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 plus**) to the Rs. 5.50 crore bank facilities of TL Fashion (TLF). The outlook is '**Stable**'.

TLF, established by Mr. Jai Kishan Jhamtani in 2007, is a proprietorship firm based at Kanpur (Uttar Pradesh). The firm is engaged in the trading and wholesaling of branded and unbranded shirting.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Thakur Das Lotwala (TDS) and T.L. Fashion (TLF) to arrive at the rating due to common management, similar business line and various operational and financial linkages between the firms; hereinafter referred to as 'Thakurdas Group'. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Thakurdas Group incorporated in 1972 has a long track record of operations of more than four and a half decades in the textile industry. Thakurdas Group is managed by Mr. Kishan Chand Jhamtani and Mr. Jai Kishan Jhamtani. Mr. Kishan Chand Jhamtani has extensive experience of nearly four decades and Mr. Jai Kishan Jhamtani holds experience of more than a decade in the textile industry, through their association with the group.

- Average financial risk profile**

The financial risk profile of Thakurdas Group is average marked by low net worth, average debt protection measures, and moderate gearing. The net worth stood at Rs.9.04 crore as on 31 March, 2018 as against Rs.11.16 crore as on 31 March, 2017. The gearing stood moderate at 1.58 times as on March 31, 2018 as compared to 1.09 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.99 times as on 31 March, 2018 as against 2.09 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood average at 1.24 times in FY2018 as compared to 1.28 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at the same level of 0.04 times as on 31 March, 2018 and on 31 March, 2017.

Weaknesses

- Proprietorship constitution and withdrawal of capital**

Thakurdas Group is exposed to capital withdrawal risk on account of the proprietorship constitution of the firms. The Proprietor of TDL, Mr. Kishan has removed funds from the business in FY2018 for personal use to the extent of Rs.2.59 crore.

- Elongated operating cycle**

The operations of Thakurdas Group are working capital intensive marked by Gross Current Asset (GCA) days of 203 in FY2018 as compared to 187 in FY2017. The average receivables period has improved to 36 days in FY2018 as compared to 75 days in FY2017. Thakurdas Group deals in branded shirting and suiting materials for which they have to maintain a high inventory as reflected in inventory

holding period of 163 days in FY2018 as compared to 111 days in FY2017. Also, Thakurdas Group stocks up inventory for the next season in advance as on 31 March, 2018, which is reflected in high inventory holding period. The high working capital requirements were met through almost full utilisation of working capital limits for the past 3-month period ended January 31, 2019 which stood at 94 percent.

• Industry risk and intense competition

The textile sector is highly dependent on fashion trends, consumer spending habits as well as economic cycles. Further, the trading industry is a competitive industry with presence of a large number of players in the unorganised and organised sector. Smaller firms such as Thakur Das Group, in general, are more vulnerable to intense competition due to their limited pricing flexibility, which constrains their profitability. However, Thakurdas Group majorly deals in branded products and maintains inventory as per detection of changes in customer preferences which mitigates this risk to a certain extent.

Liquidity Position:

Thakurdas Group has moderate liquidity marked by below average net cash accruals, however no maturing debt obligations. The group generated cash accruals of Rs.0.46-0.51 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.01-0.04 crore over the same period. The cash accruals of the group are estimated to increase to Rs.1.17-0.67 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.01 crore. The group maintains unencumbered cash and bank balances of Rs.0.70 crore as on March 31, 2018. The current ratio of the group stands average at 1.50 times as on March 31, 2018. The group is unlikely to incur any major capex over the mediumterm.

Outlook: Stable

Acuité believes that Thakurdas Group will maintain a 'stable' outlook backed by its promoters' experience in the industry. The outlook may be revised to 'Positive' in case of increase in scale of operations and operating profitability leading to higher-than-expected net cash accruals leading to improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the financial risk profile deteriorates on account of decline in its revenues and profitability or in case of weakening of liquidity significantly on account of increase in its working capital requirements.

About the Group

Thakurdas Lotwala (TDL) and T.L. Fashion (TLF) belong to Kanpur based Thakurdas Group. TLF is managed by Mr. Jai Kishan Jhamtani and TDS by Mr. Kishan Chand Jhamtani and his son, Mr. Yogesh Jhamtani. The proprietors belong to the same family. Both the firms are engaged in trading of apparels.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	49.01	51.96	51.83
EBITDA	Rs. Cr.	2.57	2.27	1.89
PAT	Rs. Cr.	0.48	0.47	0.42
EBITDA Margin	(%)	5.25	4.37	3.65
PAT Margin	(%)	0.98	0.91	0.81
ROCE	(%)	11.32	10.47	18.20
Total Debt/Tangible Net Worth	Times	1.58	1.09	1.00
PBDIT/Interest	Times	1.24	1.28	1.31
Total Debt/PBDIT	Times	5.34	5.16	5.40
Gross Current Assets (Days)	Days	203	187	208

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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	5.50	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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