

Press Release

Shivani Trendz Private Limited

D-U-N-S® Number: 87-310-1954

May 27, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 36.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 36.00 crore bank facilities of Shivani Trendz Private Limited (STPL). The outlook is '**Stable**'.

Incorporated in 2012, STPL is a Mumbai-based company promoted by Mr. Suresh Goyal and Mr. Ajay Bhootra. The company is engaged in exporting of dyed, printed and embroidered polyester fabric madeups and garments such as scarves and burqas. STPL holds a status of 'Two Star Export House' and exports to UAE, Europe, USA, Malayasia, Sri Lanka and Africa. The company started manufacturing of fabrics with weaving capacity of 24 dual looms and capacity of manufacturing 25 lac meters per month. The company is currently undertaking 25 percent production capacity. The company procures grey cloth locally from Surat.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of STPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The promoters have been involved in the textile industry for nearly two decades through its group company, Vaidehi Trendz Private Limited (engaged in trading of fabrics and madeups in domestic market). Being into similar line of business for so long, they have developed significant industry insights and developed healthy relations with customers and suppliers.

Acuite believes that the company will sustain its existing business risk profile on the back of promoters' extensive industry experience and the long standing relations with its customers and suppliers.

• Comfortable financial risk profile

The financial risk profile is comfortable marked by tangible net worth of Rs. 22.54 crore as on 31 March, 2018 as against Rs. 16.79 crore in the previous year. The net worth includes unsecured loans of Rs. 13.61 crore as on 31 March, 2018 from promoters which are subordinated to bank debt. Hence, Acuite has treated them as quasi equity. The gearing stood comfortable at 0.93 times as on 31 March, 2018 as against 1.01 times in the previous year. The total debt of Rs. 21.02 crore includes term loan from bank of Rs. 0.98 crore, working capital borrowings of Rs. 19.77 crore and unsecured loan from financial institution of Rs. 0.27 crore. Interest Coverage Ratio (ICR) stood at 1.74 times in FY2018 as against 2.88 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.96 times as on 31 March, 2018 as against 2.12 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.07 times in FY2018 compared to 0.08 times in FY2017.

Going forward, Acuite expects the company to maintain its financial risk profile in the absence of major debt funded capex plan.

• Moderate working capital operations

The operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 119 days in FY2018 as compared to 134 days in FY2017. The GCA days are mainly dominated by high collection period of 111 days in FY2018 compared to 114 days in FY2017. The inventory holding period stood at 13 days in FY2018 compared to 19 days in FY2017.

Acuite believes that efficient working capital management will be crucial in order to maintain a stable credit profile.

Weaknesses

• Healthy revenue growth with thin profitability

STPL showed healthy revenue growth marked by operating revenue of Rs.173.13 crore in FY2018 as against Rs.128.02 crore in FY2017 and Rs. 120.89 crore in FY2016. The company has booked revenue of Rs. 120.00 crore for April to November, 2018.

The operating margins of STPL are thin at 2.59 percent in FY2018 as against 1.95 percent in FY2017 and 1.68 percent in FY2016. In line with the operating margins, PAT margins are thin at 0.57 percent in FY2018 against 0.62 percent in FY2017 and 0.57 percent in FY2016. Further, the margins are expected to improve with new manufacturing facility being started in April 2018.

Acuite believes that the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

• Foreign exchange fluctuation risk

The company exports its entire products to international markets such as Gulf countries, Europe, USA, Malaysia, Sri Lanka and Africa among others and does all the transactions in foreign currencies. This leads to foreign exchange fluctuation risk. However, it may be noted that the company undertakes ~50 percent hedging.

Liquidity position:

STPL has adequate liquidity marked by declining net cash accruals to its maturing debt obligations. STPL generated cash accruals of Rs.1.28 crore to Rs.1.46 crore during the last three years through 2017-18, while its maturing debt obligations were nil over the same period. The cash accruals of STPL are estimated around Rs.3.00 crore – Rs. 5.00 crore during 2019-21, while its repayment obligation is estimated to be around Rs.0.25 crore. The increase in cash accruals are on account of the company transitioning from trading business to manufacturing, thereby improving its operational levels. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 119 in FY 2018. This has led to higher utilization of working capital borrowings, the working capital limit in the firm remains utilised at 95 percent during the last 6 months period ended January, 2019.

Acuite believes that the liquidity of STPL is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that STPL's outlook will remain 'Stable' as the firm will benefit over the medium term backed by experienced management and comfortable financial risk profile coupled with moderate working capital operations. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	173.13	128.02	120.89
EBITDA	Rs. Cr.	4.48	2.50	2.03
PAT	Rs. Cr.	0.98	0.79	0.69
EBITDA Margin	(%)	2.59	1.95	1.68

PAT Margin	(%)	0.57	0.62	0.57
ROCE	(%)	10.84	7.49	10.77
Total Debt/Tangible Net Worth	Times	0.93	1.01	0.90
PBDIT/Interest	Times	1.74	2.88	3.72
Total Debt/PBDIT	Times	4.50	6.11	6.08
Gross Current Assets (Days)	Days	119	134	98

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	30.00*	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.87	ACUITE BB / Stable
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	5.13	ACUITE BB / Stable

*Packing Credit facility of Rs.30.00 crore sublimit to Cash Credit

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About Acuite Ratings & Research:

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