

## Press Release

### Greetings Knitwears

November 09, 2020

### Rating Assigned



|                                     |  |
|-------------------------------------|--|
| <b>Total Bank Facilities Rated*</b> | Rs.28.50 Cr.                               |
| <b>Long Term Rating</b>             | ACUITE BB- / Outlook: Stable<br>(Assigned) |
| <b>Short Term Rating</b>            | ACUITE A4+<br>(Assigned)                   |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.28.50 crore bank facilities of Greetings Knitwears (GK). The outlook remains '**Stable**'.

Greetings Knitwears (GK) was initially started in 1983 as a partnership firm in the name of Greetings Hosiery Mills (GHM) by Mr. V Rajendran along with his brother Mr. V Gnanasivamoorthy. The firm initially manufactured vests and briefs for the local markets and later in the year 1987, the firm commenced manufacturing of hosiery garments on job work basis to various exporters. Later in the year 1992, the firm name was changed to Greetings Knitwears which currently engaged in manufacturing and direct export of hosiery garments.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Extensive experience of the management in the readymade garment industry**

The partnership firm GK was established in 1992 by Mr. V Rajendran along with his brother Mr. V Gnanasivamoorthy who possess more than two decades of experience in the readymade garment industry. The firm currently exports around 99 percent of its products to three countries, i.e. Ireland, France and UK. The extensive experience of the promoters in the aforementioned industry has helped the company to established long term relationship with its customers and suppliers.

Acuité believes that GK will continue to benefit from the promoter's established presence in the readymade garment industry and its improving business risk profile over the medium term.

#### Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by modest net worth of Rs.9.62 crore as on 31 March, 2020 (provisional) as against Rs.9.63 crore as on 31 March, 2019. The gearing (debt-to-equity) ratio stood high at 2.89 times as on 31 March, 2020 (provisional) compared to 2.82 times the same period last year. The total debt of Rs.27.82 crore consists of working capital borrowings of Rs.21.38 crore, secured loan of Rs.6.14 crore and unsecured loan of Rs.0.29 crore from promoters as on 31 March, 2020 (provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 3.74 times as on 31 March, 2020 (provisional) as against 3.79 times as on 31 March, 2019. Interest Coverage Ratio (ICR) deteriorated and stood at 1.48 times in FY2020 (provisional) compared to 1.67 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on 31 March, 2020 (provisional) as compared to 0.05 times in FY2019.

Acuité believes that the financial risk profile of the firm will continue to remain moderate over the medium term in the absence of any major future debt-funded capex.

#### • Working capital intensive operations

The working capital operations of the firm remained intensive marked by high GCA days of 248 days in FY2020 (provisional) compared to 232 days in FY2019. The inventory and debtors days of the company stood at 163 days and 35 days in FY2020 (provisional) as against 158 days and 38 days same period last year respectively. Subsequently, there was an increase in payables period from 123 days in FY2019 to 131 days in FY2020 (provisional). The working capital requirement of the firm is supported by bank lines which have been utilized around 90 percent in the last six months ended September, 2020.

Acuité believes that the ability of the firm to efficiently manage its working capital requirements will remain a key rating sensitivity.

#### • Highly fragmented and competitive industry

The firm operates in a highly competitive and fragmented industry and faces tough competition from a large number of organized as well as unorganized players affecting the margins.

#### Liquidity position: Stretched

The company has stretched liquidity position marked by high gross current asset (GCA) days of 248 days in FY2020 (provisional) and high utilized working capital limits. Working capital requirement is funded through bank lines that have been utilized around 90 percent in the last six months ended September, 2020. Further, the company had NCA of Rs.1.10 crore as against the maturing debt obligation of Rs.0.85 crores in FY2020 (provisional). The cash accruals of GK are estimated to remain around Rs.0.61 - 1.58 crore during 2021-23 while its repayment obligation is estimated to be around Rs.0.85 – 0.84 crore during the same period. The firm maintains unencumbered cash and bank balances of Rs.0.40 crore as on March 31, 2020 (prov.). The current ratio stands average at 1.26 times as on March 31, 2020 (provisional). Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account working capital intensive operations and high utilization of bank limits.

#### Rating Sensitivities

- Modest scale of operations with improvement in revenue growth and profitability margins
- Deterioration in working capital management leading to stretched liquidity

#### Material Covenants

None

#### Outlook

Acuité believes that GK will maintain a stable outlook in the medium term on the back of the extensive experience of the promoter in the business. The outlook may be revised to 'Positive' in case of a significant improvement in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity or financial risk profile on account of large debt-funded capex plan.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income              | Rs. Cr. | 56.49              | 61.01         |
| PAT                           | Rs. Cr. | 0.42               | 0.66          |
| PAT Margin                    | (%)     | 0.75               | 1.09          |
| Total Debt/Tangible Net Worth | Times   | 2.89               | 2.82          |
| PBDIT/Interest                | Times   | 1.48               | 1.67          |

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

Brickwork via its press release on 01st Oct, 2019 has reported the company as BWR BB/BWR A4 Issuer not cooperating on account of non-submission of information for rating surveillance.

#### Any other information

None

#### Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

**Note on complexity levels of the rated instrument**  
<https://www.acuite.in/view-rating-criteria-55.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. Crore) | Ratings/Outlook              |
|------------------------|------------------|----------------|----------------|-------------------------------|------------------------------|
| PC/PCFC/FBP/FBN/FBD    | Not Applicable   | Not Applicable | Not Applicable | 19.50                         | ACUITE A4+ (Assigned)        |
| WCTL                   | Sep, 2020        | 7.5%           | Aug, 2023      | 3.78                          | ACUITE BB-/Stable (Assigned) |
| Letter of Credit       | Not Applicable   | Not Applicable | Not Applicable | 4.75                          | ACUITE A4+ (Assigned)        |
| Proposed Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 0.47                          | ACUITE BB-/Stable (Assigned) |

**Contacts**

| Analytical   | Rating Desk  |
|--|--|
| Aditya Gupta<br>Vice President- Corporate and Infrastructure Sector<br>Tel: 022-49294041<br><a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a> | Varsha Bist<br>Senior Manager - Rating Desk<br>Tel: 022-49294011<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |
| Nitul Dutta<br>Analyst - Rating Operations<br>Tel: 022-49294053<br><a href="mailto:nitul.dutta@acuite.in">nitul.dutta@acuite.in</a>                            |  |

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.