

October 23, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.75	SMERA BB-/Stable (Assigned)
Term Loan	1.73	SMERA BB-/Stable (Assigned)
Standby Line Of Credit	0.50	SMERA A4 (Assigned)
Bank Guarantee	0.06	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (**read as SMERA Double B minus**) to the Rs.6.48 crore long-term bank facilities and '**SMERA A4**' (**read as SMERA A Four**) to the Rs.0.56 crore short-term bank facilities of Nivon Textile Industries Pvt. Ltd. (Nivon). The outlook is '**Stable**'. The ratings are constrained by the company's modest scale of operations and working capital-intensive business. However, the ratings derive comfort from the company's long track record of operations, experienced management and moderate financial risk profile.

Nivon, established in 1997, is a Maharashtra-based company engaged in manufacturing of fabric used in curtains and shirts. The company has a modest scale of operations with revenues of Rs.33.02 crore in FY2012-13 (refers to financial year, April 01 to March 31).

Nivon's operations are working capital-intensive with gross current assets (GCA) of around 138 days in FY2012-13. The company's working capital cycle is stretched due to the high credit period (of 90-100 days) extended to customers. Nivon also maintains inventory of around 30-45 days. However, the company receives credit of around 60-75 days from its suppliers.

Nivon is a part of the Mangtani Group, which is engaged in the textile business since the last five decades. Mr. Aturlal Mangtani, Promoter of Nivon, has more than four decades of experience in the textile industry. Mr. Nilesh Mangtani (son of Mr. Aturlal Mangtani) has more than 10 years of experience in the manufacturing operations of the company. Mr. Santosh Mangtani (nephew of Mr. Aturlal Mangtani) is responsible for the procurement and marketing activities in the business.

Nivon has a moderate financial risk profile with leverage of around 1.81 times (considering unsecured loans from promoters as debt) as on March 31, 2013. The company's leverage is expected to increase marginally due to incremental working capital requirements and modest accretion to reserves. Nivon has a moderate interest coverage ratio of 1.58 times and strong net cash accruals to total debt ratio of 12 per cent in FY2012-13. The company's financial risk profile is however constrained by a modest net worth of Rs.4.42 crore as on March 31, 2013.

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Outlook: Stable

SMERA believes the outlook on Nivon's rated facilities will remain stable over the medium term on account of the company's established market position and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected net cash accruals with a significant stretch in the working capital cycle or in case the company undertakes larger-than-expected debt funded capital expenditure.

About the company

Nivon, established in 1997, is the flagship company of the Mangtani Group. Nivon is engaged in manufacturing of fabric used in curtains and shirts. The company has 34 looms with an installed production capacity of around 11 lakh meters per annum. Nivon has a registered office in Andheri, Mumbai and a factory unit in Bhiwandi, Maharashtra.

For FY2012-13 (as per provisional financials), Nivon reported PAT of Rs.0.03 crore on net sales of Rs.33.02 crore as compared with PAT of Rs.0.26 crore on net sales of Rs.35.47 crore for FY2011-12.

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