



Press Release

Nitesh Fashion Private Limited (NFPL)

May 05, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Facility – Fund Based – Overdraft Cash Credit (Sublimit – ODBD/PC/PCFC/FDB/FBE/BRD)	14.50	IVR B+/Stable Outlook (IVR B Plus with Stable Outlook)
	Total	14.50	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from the experienced promoters & management team, improvement in profitability and diversified customer base. However, these strengths are partially offset by Moderate debt protection metrics, decline in revenues, working capital intensive nature of operations and highly fragmented and competitive industry scenario.

Key Rating Sensitivities

Upward rating factor(s)

- Substantial improvement in scale of operations and EBITDA margin leading to overall improvement in debt protection metrics.

Downward rating factor(s)

- Any decline in the revenue and/or profitability
- Significant deterioration in debt protection parameters



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List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoters & management team

The company is being managed by experienced directors and promoters. Collectively, they have rich experience in the industry and are instrumental in setting up and developing the company. Having operated in industry since around 2 decades, the promoters have established a strong network with suppliers and customers.

Improvement in profitability

The EBITDA Margin has improved from previous year and it was reported at 6.41% in FY 19 as against 5.76% reported in FY18. Even though there was a decline in Absolute EBITDA y-o-y from FY 17-18 to FY 18-19 there was rise in PAT from 0.11cr to 0.19 on account of lower depreciation and interest expense. Hence PBT and PAT margin improved y-o-y and it was reported at 0.46% and 0.35% in FY 19 against 0.33% and 0.20% during FY 18. The overall improvement in profitability is on account of shift of focus entirely to manufacturing from a mix of manufacturing & trading previously. The trading % to overall revenue has come down to nil in 1HFY20 (FY19: 39%; FY18:57%). Further EBITDA margin improved to around 9% in 9MFY20.

Diversified client base

The company had a diversified client base as it caters to domestic as well as overseas customers. The company is also expanding its export customer base gradually. The % of domestic sales come down to 78% in FY19 (FY18: 88%). The company export to Europe, USA, Middle East Countries etc. Top 10 customers comprises around 50% of the FY19 revenue mitigate the customer concentration risk.

Key Rating Weaknesses

Decline in revenues

The revenues for FY 18-19 stood at Rs 49.28 Crore compared with Rs 58.28 Crore in FY 17-18. The dip in revenues is due to shifting of focus entirely to manufacturing from trading. In 9MFY20 the company has achieved the revenue of around Rs.21.00 crores.



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Moderate debt protection metrics:

NFPL's capital structure remained moderate in the past three account closing dates ending FY19. The overall gearing ratio was around 1.83x in FY19 (FY18: 1.87x) & Total Outside Liabilities/Adjusted Tangible Net worth was at 3.32x in FY19 (3.17x). Interest coverage remains above unity in FY19 & FY18 at 1.12x & 1.4x in FY19 & FY18 respectively.

Working capital intensive nature of operations

NFPL's operations remain highly working capital intensive in nature owing to the elongated receivables & high inventory holding in the year end. Working capital cycle expected to remain elevated in the near to medium term.

Highly fragmented and competitive industry scenario

The company operates in a highly fragmented industry with low entry barriers. The presence of large number of unorganised players limits its bargaining power with customers.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Stretched

Total debt to cash accruals remains high and stands at 48.55 in FY19 (FY18:52.86). However, average maximum utilization of the working capital limits at 67% during the twelve months ended January 2020 provides some cushioning to the liquidity.

About the Company

Incorporated in 2011 by converting proprietorship concern M/s Mahavirkumar Gautamchand & Co NFPL is based out of Mumbai and is engaged in manufacturing, trading and export of garments and fabrics. It has 35 weaving Machine with production capacity of 12,60,000 Meters per annum.



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Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	58.28	49.28
EBITDA	3.36	3.16
PAT	0.11	0.19
Total Debt	16.76	17.37
Tangible Net worth	9.18	9.29
EBITDA Margin (%)	5.76	6.41
PAT Margin (%)	0.20	0.35
Overall Gearing Ratio (x)	1.83	1.87

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facilities– Overdraft Cash Credit	Long Term	14.50	IVR B+/ Stable outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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Name and Contact Details of the Analysts:

Name: Mr. John Francis

Tel: (022) 62396023

Email : jfrancis@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuaniania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Overdraft Cash Credit	--	--	Revolving	14.50	IVR B+/ Stable Outlook