



Press Release

Nitesh Fashion Private Limited (NFPL)

May 12, 2021

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action
Long Term Fund Based Facility – Overdraft Cash Credit (Sublimit – ODBD/PC/ PCFC/FDB/FBE/BRD)	14.50	IVR B+/Stable Outlook (IVR B Plus with Stable Outlook)	Reaffirmed & Withdrawn
Total	14.50		

Details of Facilities are in Annexure 1

Rating Action:

Infomerics Valuation and Rating Private Limited has reaffirmed & withdrawn the ratings of 'IVR B+/Stable Outlook (IVR B Plus with Stable Outlook)' assigned to the Bank Facilities of Nitesh Fashion Private Limited (NFPL) with immediate effect as per the company's request vide e-mail/letter dated March 22nd, 2021. No Objection Certificate from the lender has also been received.

Detailed Rationale

The rating is withdrawn in accordance with Infomerics' policy on withdrawal of ratings.

The aforesaid ratings assigned to the bank facilities of Nitesh Fashion Private Limited (NFPL) derives experienced & qualified management team, improvement in profitability, diversified client base and moderate debt protection metrics. The rating however is constrained by decline in revenues, working capital intensive nature of operations and highly fragmented and competitive industry scenario.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced & qualified 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. Further, they are supported



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by a team of well qualified and experienced professionals.

Improvement in profitability:

The EBITDA Margin has improved from previous year and it was reported at 10.15% in FY20 as against 6.66% reported in FY19. Even though there was a decline in Absolute EBITDA y-o-y from FY19 to FY20 there was rise in PAT to INR 0.21Crore from INR 0.19 Crore. Hence PBT and PAT margin improved y-o-y and it was reported at 0.97% and 0.74% in FY20 against 0.46% and 0.39% during FY19. The overall improvement in profitability is on account of shift of focus entirely to manufacturing from a mix of manufacturing & trading previously.

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 company export to Europe, USA, Middle East Countries etc.

Moderate debt protection metrics:

Company's capital structure remained moderate as on the past three account closing dates ending FY20. The overall gearing stood at 2.21 times as on 31 March 2020 (FY19: 2.57x) whereas Long Term Debt Equity ratio stood at 0.91 times as on 31 March 2020 (FY19: 0.93x). Long term Debt amounted to INR 22.60 Crore in FY 20 (FY19: INR 23.90 Crore). The financial risk profile of the company is moderate marked by moderate net worth and debt protection metrics. The adjusted net worth of company stood at INR 10.26 Crore as on 31 March 2020 (INR 9.28 Crore). Debt protection metrics also remained Moderate with interest coverage ratio of 1.20x in FY20 (1.16x). TOL/ATNW stood at 2.95 times as on 31 March 2020.

Key Rating Weaknesses

Decline in revenues:

The revenues for FY20 stood at INR 28.70 Crore compared with INR 49.32 Crore in FY19. The dip in revenues is due to shifting of focus entirely to manufacturing from trading.

Working capital intensive nature of operations:

Company'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.



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Policy on Withdrawal of Ratings

Liquidity:

The Company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Also, the company do not have major long-term repayment obligations and major capex plans. The company has reported a healthy current ratio at 1.49x as on March 2020.

About the Company:

Incorporated in 2011 by converting proprietorship concern M/s Mahavir Kumar 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. The company is promoted by Mr. Arvind Kothari and his four sons – Mr. Sanjay Kothari, Mr. Pradeep Kothari, Mr. Nitesh Kothari and Mr. Ankeet Kothari.

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	49.32	28.70
EBITDA	3.28	2.91
PAT	0.19	0.21
Total Debt	23.90	22.66
Tangible Net-worth	9.28	10.26
Ratios		
EBITDA Margin (%)	6.66	10.15
PAT Margin (%)	0.39	0.74
Overall Gearing Ratio (x)	2.57	2.21

Status of non-cooperation with previous CRA:

ICRA in their press release dated November 27th, 2020 has continues to classified the case under Issuer Not Co-operating status on account of non-submission of relevant information.

Any other information: NA

Rating History for last three years:

	Current Ratings (Year 2021-22)	Rating History for the past 3 years
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Sr. No.	Name of Instrument/Facilities	Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (May 05 th , 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facilities—Overdraft Cash Credit	Long Term	14.50	Withdrawn	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.

Name and Contact Details of the Rating Team:

Name: Rushabh Shah

Tel.: (022) 6239 6023

Email: rpsah@infomerics.com

Mr. Amit Bhuwania

Tel.: (022) 6239 6023

Email: abhuwania@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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 (INR Crore)	Rating Assigned/ Outlook
Overdraft Cash Credit	--	--	Revolving	14.50	Withdrawn