

Universal Knitwears

May 10, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	8.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Bank Facilities- Short Term	10.50	IVR A4+ (IVR A Four Plus)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the extensive experience of its partners in the readymade garments industry, diversified product profile and comfortable debt protection metrics. These strengths are partially offset by modest scale of operations in a fragmented industry, small net worth and high TOL/TNW. Scale of operations, working capital management and capital structure are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the partners in the readymade garments industry

The partners have long standing experience in the readymade garments industry. Mr.Sudhir Bhatia has over 35 years of experience; prior to setting up Universal Knitwears in 1992, he was part of a family run business which was engaged in readymade garments business. His sons Mr. Sahil Bhatia and Mr.Suraj Bhatia also have 23 years and 15 years' experience respectively in the garments industry.



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Diversified product profile

Universal Knitwears has a diversified product profile covering a wide range of products such as garments, knitted toys, home furnishings etc. Cotton knitted dyed throws contributed 40 per cent to the firm's revenue in FY18, cushion cover 20.17 per cent, cotton knitted toys 24.17 per cent, dyed garments 8.68 per cent and the rest was through sales of dyed dish cloth, covers for hot water rubber bottles etc. The firm is likely to benefit from its diversified product profile over the medium term.

Comfortable debt protection metrics

The debt protection metrics of the firm remained comfortable as reflected in Interest cover of 3.92x and Total Debt/ GCA of 2.71x as on March 31, 2018.

Key Rating Weaknesses

Modest scale of operations

Universal Knitwears has a modest scale of operations in a highly fragmented industry as reflected in net sales of Rs.49.10crore in FY18. Though the scale is expected to improve over the medium term on the back of a healthy order book, it will continue to remain modest. The firm has achieved sales of Rs.53crore in the ten months through Jan 2019.

Small net worth and high TOL/TNW

The firm had a small net worth of Rs.7.06crore as on March 31, 2018. Though the net worth has improved over the three years through FY18 on account of accretion of higher profits, however it continues to remain small on account of drawings by partners.

The capital structure also remained weak as reflected in TOL/TNW of 3.32x (unsecured loans treated as neither debt nor equity) as on March 31, 2018.

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Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The firm is expected to generate sufficient cash accruals going forward as against its repayment obligations. Liquidity is further supported by financial support from promoters in the form of unsecured loans at nominal interest rates. However, the firm's bank limits remained highly utilized for the twelve months ended February 2019.

About the Company

Universal Knitwears was set up as a partnership firm in 1992. The firm is engaged in manufacture and exports of flat bed knitted products such as sweaters, knitted garments, home furnishings, dish cloths, covers for hot water rubber bottles. Universal Knitwears has three manufacturing facilities located at Kundli, Haryana.

Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	36.77	51.78
EBITDA	4.93	5.87
PAT	1.56	2.61
Total Debt	13.01	12.35
Tangible Net worth	5.31	7.06
EBITDA Margin (%)	13.41	11.34



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For the year ended*	31-03-2017	31-03-2018
PAT Margin (%)	4.21	5.03
Overall Gearing Ratio (x)	2.45	1.75

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Term Loan	Long Term	8.00	IVR BB+/Stable	-	-	-
2.	Short Term Fund Based Limits – EPC/Exports Bill Discounting	Short Term	10.50	IVR A4+	-	-	-

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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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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Term Loan	-	MCLR 3M + 1%	2023	8.00	IVR BB+/Stable
Short Term Bank Facilities – EPC/Exports Bill Discounting	-	-	PC + PS <180 days	10.50	IVR A4+