

Press Release

M/s Gemini Fashion

September 11, 2018

**Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term Fund Based Limits	6.00	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned
2.	Working Capital Demand Loan	2.50	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)	
	<b>Total</b>	<b>8.50</b>		

Details of Facilities are in Annexure 1

**Detailed Rationale**

The rating is constrained by small scale of operations, low profitability margins, weak debt coverage indicators, working capital intensive operations, high competition in textile trading and constitution of the firm. However, the rating derives comfort from experienced partners and established relationship with clients and suppliers.

Gearing level, scale of operations and profitability and working capital management are the key rating sensitivities.

**List of Key Rating Drivers**

- *Small scale of Operations*
- *Low profitability margins*
- *Weak debt coverage indicators*
- *Working capital intensive operations*
- *High competition in textile trading*
- *Constitution of the firm*
- *Experienced partners*
- *Established relationship with clients and suppliers*

## Detailed Description of Key Rating Drivers

### **Key Rating Weaknesses:**

#### ***Small Scale of Operations***

Though the firm has reported marginal growth in the turnover, the scale of operations of the company continues to be small.

#### ***Low profitability margins***

The profitability margins of the firm are low. The EBIDTA margin is in the range of 3.5%-4.75%. The PAT margin is below 1%.

#### ***Weak debt coverage indicators***

The overall gearing has increased to 1.65x as on March 31, 2018 on account of increase in debt coupled with withdrawal of capital. The interest coverage ratio was moderate at 1.22x for FY18 (FY17:-1.54x).

#### ***Working capital intensive operations***

The inventory holding days are 66 days as on March 31, 2018. The debtors days are 165 days as on March 31, 2018 due to delay in receiving payments from clients. All these factors have resulted in high working capital cycle of around 170 days.

#### ***High competition in textile trading***

The industry is highly fragmented with presence of numerous small players and low entry barriers resulting in high competition for the firm and thereby impacting its margins.

#### ***Constitution of the firm***

Due to its constitution of being a partnership firm, the entity has the risk of withdrawal of partner's capital at the time of contingency. Also the firm has limited access to external borrowings from lenders due to its constitution.

### **Key Rating Strengths:**

#### ***Experienced partners***

The partners have experience of more than 18 years in the textile industry.

## *Established relationship with clients and suppliers*

The entity has established relationship with its clients. The top 10 clients contribute to around 32% of the total sales indicating a well-diversified client base. The entity has long term business relation and established supply arrangements with its vendors for procuring the same.

## **Analytical Approach & Applicable Criteria:**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Default Recognition & Post-Default Curing Period

## **About the Company**

Gemini Fashion (GF) was incorporated in 2001 as a proprietorship firm by Mr. Devendra H. Jain. The constitution of the entity was changed from proprietorship to partnership from 1st July 2017 and the firm was taken over by Mr. Vinit Jain (nephew of Mr. Devendra Jain) and Mr. Deepak Jain (son of Mr. Devendra Jain) as partners. The partners have industry experience of about 18 years and 10 years respectively. GF is a textile trading concern dealing majorly in cotton shirting and suiting fabrics for men, women and kids. There are various varieties of cotton fabric (satin, poplin, twill, dobby, lycra, jacquard etc.) which are traded by the entity. The firm is the authorized dealer of Auro Textiles (subsidiary of Vardhaman Textiles Limited), which is also the largest supplier of the firm. Clients of the firm include domestic brands of men's shirts, cargo shorts, ethnic wear, kid's wear etc. The office of the firm is situated in Mumbai, while the operations/storage and dispatches takes place from the warehouse at Bhiwandi, Maharashtra (The warehouses are owned by the promoters and have been let out to Gemini Fashion and Nidhi textiles for fixed rental payments).

## **Financials (Standalone Basis)**

<b>For the year ended* / As On</b>	<b>(Rs. crores)</b>	
	<b>31-03-2017</b> <b>(Audited)</b>	<b>31-03-2018</b> <b>(Audited)</b>
Total Operating Income	43.62	45.75
EBITDA	1.60	1.86
PAT	0.53	0.32
Total Debt	10.57	14.43
Tangible Networkth	9.84	8.76
EBITDA Margin (%)	3.66	4.06

PAT Margin (%)	1.22	0.70
Overall Gearing Ratio (x)	1.07	1.65

\* 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 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.	Fund based limits	Long Term	6.00	IVR BB- /Stable Outlook	--	--	--
2.	Working Capital Demand Loan	Long Term	2.50	IVR BB- /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](http://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. 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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whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

## 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 Fund Based limits	--	--	--	6.00	IVR BB- /Stable Outlook
Working Capital Demand Loan	--	--	June 2020	2.50	IVR BB- /Stable Outlook