

Press Release

M/s Gemini Fashion

December 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	Long Term Fund Based Limits	6.00	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)	Reaffirmed and Withdrawn
2.	Working Capital Demand Loan	2.50	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)	
	Total	8.50		

Details of Facilities are in Annexure 1

Infomerics Valuation and Rating Pvt. Ltd had assigned a rating of **IVR BB- with Stable Outlook (IVR Double B minus with Stable Outlook)** to the Long Term Bank Facilities aggregating Rs.8.50 crore of M/s. Gemini Fashion. The ratings have been subsequently withdrawn at the request of the company and on receipt of no-objection certificate from the concerned lenders.

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 reaffirmation of 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.

Key Rating Drivers with detailed description

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 debtor's 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)

Policy on withdrawal

About the Company

Gemini Fashion (GF) was incorporated in 2001. GF is a textile trading concern dealing majorly in cotton shirting and suiting fabrics for men, women and kids. The firm is the authorized dealer of Auro Textiles (subsidiary of Vardhaman Textiles Limited), which is also the largest supplier of the firm.

Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	43.62	45.75
EBITDA	1.60	1.86
PAT	0.53	0.32
Total Debt	10.57	14.43
Tangible Networth	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 2018-19	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 (Reaffirmed and Withdrawn)	IVR BB-/Stable Outlook (September 11, 2018)	--	--	--
2.	Working Capital Demand Loan	Long Term	2.50	IVR BB-/Stable Outlook (Reaffirmed and Withdrawn)	IVR BB-/Stable Outlook (September 11, 2018)	--	--	--

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. 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 Fund Based limits	--	--	--	6.00	IVR BB- /Stable Outlook (Reaffirmed and Withdrawn)
Working Capital Demand Loan	--	--	June 2020	2.50	IVR BB- /Stable Outlook (Reaffirmed and Withdrawn)