



Rating Rationale

Chandan Textiles (CT)

13 Dec 2018

Brickwork Ratings assigns the rating BWR B for the Bank Loan Facilities of ₹. 7.25 Crores of Chandan Textiles.

Particulars

Facility	Present Amount Rated (₹ Crs)	Tenure	Rating
Fund Based Term Loan	1.25	Long Term	BWR B (Pronounced as Single B) Outlook: Stable
Overdraft	6.00		
Total	7.25	INR Seven Crores and Twenty Five Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has relied upon the three years of audited financial results of the firm up to FY18, publicly available information and information/clarifications provided by the management of Chandan Textiles.

The rating draws strength from the established track record and experienced management. These strengths have been offset by the modest scale of operations and below average financial risk profile.

Description of Key Rating Drivers

Credit Strengths:

Established track record of operation and experienced management: The firm was established in 2000 and is engaged in manufacturing and trading of pure silk fabrics like chiffon, georgette and crepe. Mr. Chandan Malhotra, proprietor of the firm has an experience of more than two decades in textile sector.

Credit Risks:

Modest scale of operation: CT has modest scale of operations with operating income of Rs. 46.45 crores in FY 2017-18 and Rs. 28.14 crore in FY 2016-17.

Below Average financial risk profile: The financial risk profile of the firm is below average marked by low capital of Rs. 2.98 crore in FY 2018 as against Rs. 2.89 crore in FY 2017.

The total debt of Rs. 9.58 crore includes long term loans from bank of Rs. 1.52 crore, Mortgage loan of Rs. 16.76 lakhs, unsecured loans of Rs. 2.26 crores from relatives and friends and working capital funds of Rs. 5.99 crores. Interest coverage ratio (ICR) stood moderate at 1.40 times for FY 2018 as against 1.31 times in the previous year. TOL/TNW stood at 4.06 times in FY 2017 as against 3.70 times in FY 2016.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook

BWR believes the **Chandan Textiles** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Chandan Textiles is a sole proprietorship concern engaged in manufacturing and trading of pure silk fabrics such as georgette, crepe and chiffon. The concern was established in 2000 by Mr. Chandan Malhotra, the proprietor has more than 20 years of experience in the industry. The manufacturing facilities of the concern are located at Bangalore in Kamalanagar and Doddaballapura & the installed capacity of the factories are 2.0 lakh meters and 3.50 lakh meters with utilization levels of 90% and 85% respectively. The concern also contracts a part of its work to other companies.

Financial Performance

- ❑ Operating Revenue has increased by 67% from Rs. 27.72 crores in FY17 to Rs. 46.44 crores in FY18 owing to higher inventory in 2017 and increased trading activity in FY18.
- ❑ Other Operating Income includes Foreign Exchange Gain and Freight Charges Collected
- ❑ Non-Operating Income includes Rental Income of Rs. 12.69 Lakhs, Profit from Investments, Dividend and Interest on PPF.
- ❑ The Concern is able to show a significant portion of Net Profit only due to Non-operating Income from Rental Income
- ❑ The concern has a below average financial risk profile showcased by current ratio of 1 time and 1.46 times in FY17 and 18 respectively. Gearing Ratio is 3.35 times and ISCR is 1.40 times in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	46.45	28.14
EBITDA	₹ Cr	1.68	1.65
PAT	₹ Cr	0.15	0.08
Capital	₹ Cr	2.98	2.89
Total Debt/ Capital	Times	3.35	3.66
Current Ratio	Times	1.46	1.00

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based Term Loan	Long Term	1.25	BWR B	Not Rated		
	<i>Overdraft</i>	Long Term	6.00				
	Total		7.25	₹ Seven Crores and Twenty Five Crores Only			

Status of non-cooperation with previous CRA- ICRA 2017

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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