

RATING RATIONALE

India Today Fashions

Brickwork Ratings withdraws the long term rating for Rs.0.16crs and reaffirms the short term ratings for the Bank Loan Facilities of ₹. 7.50 Crores of India Today Fashions Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2018)	Present
Fund Based Term Loan	0.16	-	Long Term	BWR BB Stable Reaffirmed	Rating Withdrawn
Fund based PC/PCFC FOBNLC/FOBP FOUBP** HAWB# Direct Consignment##	6.00 (6.00) 1.50 (0.60) (0.60)	6.00 (6.00) 1.50 (0.60) (0.60)	Short Term	BWR A4 Reaffirmed	BWR A4 Reaffirmed
Total	7.66	7.50	INR Seven Crores and Fifty Lakhs Only		

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

**sub-limit of FOBNLC #Sub-limit of FOBNLC/FOBP ##Sub-limit of FOUBP

** Details of Bank facilities is provided in Annexure-I

RATING ACTION/OUTLOOK

BWR has essentially relied upon the audited financial statements of the company upto FY18 and, publicly available information and information/clarifications provided by the management.

BWR has reaffirmed the rating of India Today Fashions to BWR A4 with Outlook: Stable driving strength from the proprietor's experience, established relationships with customers and suppliers, satisfactory gearing level and debt service coverage ratio. However, the rating remains constrained by

small scale of operations, low capital base, decreased profitability margins and inherent risk in proprietorship nature of constitution.

The Rating has been assigned a Outlook: Stable as the business risk profile of the firm is stable and the growth in the business and profitability is expected to be maintained in the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced proprietor and Established relationship with Customers and suppliers:** The proprietor of India Today Fashions, Mr. Rajendra Bhatia has more than 25 years of experience in the Textile Industry. Relationship with its customers and suppliers is about a decade old which results in repeat orders from customers and flexibility in credit period from suppliers.
- **Comfortable gearing level:** Due to increase in proprietor's capital the gearing level of the Firm improved to 1.04x as on March 31, 2018 as against 1.65x as on March 31, 2017.

Credit Risks:

- **Small Scale of operations and low capital base:** Although revenue improved in FY18, the scale of operation remained small as the Firm reported an average revenue of Rs.16.03 Crs in the last 3 FYs. Due to limited financial support by the proprietor, the capital of the Firm though increased but was low at Rs.5.54 Crs as on March 31, 2018
- **Moderate profitability, debt coverage indicators and liquidity position:** Operating profit margin has decreased to 8.91% in FY18 as against 9.53% for FY17. Net profit margin is also reduced from 2.94% in FY17 to 2.88% in FY18.
- **Inherent risk of proprietorship nature of constitution:** India today fashions being a proprietorship firm carries an inherent risk of capital being withdrawn by the proprietor in case of personal exigencies which may affect capital structure of the firm in the medium term.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward, the ability of the Firm to scale up its operations and to improve its net profit margins in an intensely competitive industry would remain the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in revenues and significant increase in net profit margins.

Negative: Rating may be downgraded in case revenues of the firm substantially deteriorates from current level. Rating may also be adversely affected in case of deterioration in profitability and liquidity.

LIQUIDITY POSITION (Adequate)

The company has Cash & Bank balances of Rs. 0.11 Crs in FY 18. **Long term borrowings** of INR 0.75 Cr. includes, INR 0.21 Cr of TL from PNB, Car loans from BOB, Kotak & Yes Bank of INR 0.22 Cr and the Balance is unsecured loans of INR 0.32 Cr from HDFC Bank and related parties. The Packing Credit utilization of the last 6 months was around **~80%**. The current ratio is at 1.22 times in FY 18. ISCR stood at 2.29X in FY 18 and due to low repayment commitments towards long term borrowings, the DSCR is comfortable at 1.90X in FY 18. Conversion Cycle is at 84 days in FY 18, due to improvement in receivables and comfort on payables.

Associate/Subsidiary Company: N/A

COMPANY PROFILE

Jaipur based India Today Fashions (ITF) was formed in August 1988 as a proprietorship firm by Mr Rajendra Bhatia. ITF is 100% Export Oriented Unit engaged in the business of manufacturing and export of Ready Made Garments (RMG) for ladies & kids and home furnishing items like curtains, cushions, table covers, bedspread, duvet covers, quilts and bed linen in 100% cotton and its blend with polyester viscose and acrylic. The firm has its plant located at Jaipur and has an installed capacity of manufacturing 600,000 pieces of garments from its 300 sewing machines. The firm exports mainly to Japan, USA, Italy and Australia and takes forward cover to mitigate forex risk.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 17	FY 18
Result Type		Audited	Audited
Operating Revenue	Cr	13.28	18.02
EBITDA	Cr	1.27	1.61
PAT	Cr	0.39	0.52
TNW	Cr	3.46	5.54
Total Debt/TNW)	times	1.65	1.04
Current Ratio	times	1.03	1.22

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None
NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Not Applicable

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2018	2017	2016
Fund Based Term Loan	Long Term	-	Rating Withdrawn	BWR BB Stable Reaffirmed	BWR BB Stable Reaffirmed	BWR BB Stable Reaffirmed
Fund Based PC/PCFC FOBNLC/FOBP FOUBP** HAWB# Direct Consignment##	Short Term	6.00 (6.00) 1.50 (0.60) (0.60)	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed



Total	7.50	INR Seven Crores and Fifty Lakhs Only
--------------	-------------	--

*Running PC of INR 12.00 Cr includes (FOBP/FOUBP/FOBMLC of INR 8.00 Cr as a sub limit)

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf

Analytical Contacts	Investor and Media Relations
<p>Rajat Maheshwari Primary Analyst B :+91 11 2341 2232 Ext :113 rajat.m@brickworkratings.com</p> <p>Satvinder Kumar Gakhar Associate Director - Ratings B :+91 11 2341 2232 satvinder.g@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

ANNEXURE I

**India Today Fashions
Details of Bank Facilities rated by BWR**

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
Punjab National Bank, IIB Branch, Jaipur, Rajasthan	Fund Based PC/PCFC FOBNLC/FOBP FOUBP** HAWB# Direct Consignment##	-	6.00 (6.00) 1.50 (0.60) (0.60)	7.50
TOTAL				7.50

**sub-limit of FOBNLC #Sub-limit of FOBNLC/FOBP ##Sub-limit of FOUBP

Total Rupees Seven Crores and Fifty Lakhs Only.

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.



DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.