

**RATING RATIONALE**

**M/s SEASONS TEXTILES LIMITED**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹17.25 Crores of M/s Seasons Textiles Limited**

**Particulars:**

Facility	Amount (₹ Crs)		Tenure	Previous Rating (Aug 2019)	Rating Present*
	Previous	Present			
<b>Fund Based</b>	14.00	14.00	<b>Long Term</b>	<b>BWR BB (Stable)</b> Reaffirmed	<b>BWR BB (Stable)</b> Reaffirmed
<b>Non Fund Based</b>	3.25	3.25	<b>Short Term</b>	<b>BWR A4</b> Reaffirmed	<b>BWR A4</b> Reaffirmed
<b>Total</b>	<b>17.25</b>	<b>17.25</b>	<b>INR SEVENTEEN CRORES AND TWENTY FIVE LAKHS ONLY</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\*Annexure-I provides details of bank wise facilities

**RATING ACTION / OUTLOOK**

BWR has reaffirmed the ratings of M/s Seasons Textiles Limited to BWR BB (Stable)/A4 deriving its strength from the experience of the management. However the rating is constrained by the Stagnant and Small Scale of operations, Moderate Financial Risk Profile, decreasing profitability margins and Profitability susceptible to fluctuations in raw material prices. The company's revenues have been impacted since March 2020 owing to the nationwide lockdown, imposed by the Indian Government to contain the Covid-19 outbreak, and weak offtake from customers across markets. The textile industry is expected to be more vulnerable, given its sensitivity to consumer demand and sentiment, as well as the labour-intensive nature of manufacturing operations. However, the company has managed to get sufficient orders after May 20. The strength of the recovery will depend on the duration and extent of the pandemic. In light of the above factors, the company's revenue and profitability are anticipated to moderate in FY2021. Weak demand conditions are likely to result in an elongated receivable cycle and some inventory build-up in the coming months.

## KEY RATING DRIVERS

### Credit Strengths:

1. **Extensive experience of promoters:** The promoters of the company Mr. Inderjeet Wadhwa and Mrs. Neelam Wadhwa, hold more than two decades of experience in the textile industry. The company has established a presence in the industry from the past 34 years, which helps them in maintaining long term relationships with their customers and suppliers.
2. **Comfortable Gearing and Current ratio:** The tangible net worth of the company is Rs. 21.72 Cr. The Gearing ratio of the company is comfortable at 1.13x for FY 20. The current ratio of the company is moderate at 2.25 for FY 20

### Credit risks:

1. **Stagnant and small Scale of operations:** The sales of the company have been stagnant for the past three years due to the effect of demonetization, slow down in the international market and Pandemic worldwide . However, the net sales have decreased from Rs. 37.52 Cr. in FY19 to Rs. 33.59 Cr. in FY20. Besides, the scale is small when compared to the Capital employed.
2. **Modest Debt Protection Metrics and elongated working capital cycle:** The debt protection metrics is moderate with an ISCR of 1.49 times and DSCR of 0.97 times in FY20 as compared to ISCR of 1.90 times and DSCR of 1.13 times in FY 19. Conversion cycle of the company is on the higher side with 315 days owing to high inventory holding days of 282 in FY20.
3. **Decreasing profitability margin:** PAT has declined from Rs. 0.35 Cr. in FY19 to loss of Rs. 0.21 Cr in FY20. The quantum of sales reduced was Rs.3.93 Cr in FY 20 so the G.P. was reduced by Rs.0.98 Cr (approx..) which is the only reason for loss during the FY 20. Subsequently, the net profit margin has also decreased from 0.95% in FY19 to -0.61% in FY20.
4. **Profitability susceptible to fluctuations in raw material prices -** Margins remain vulnerable to yarn price movements, which are governed by regulatory changes pertaining to cotton export and minimum support price (MSP). Fluctuation in yarn prices will impact the company's margins as yarn is the key input cost. The textile trading industry is extremely fragmented and dominated by numerous small players, thereby limiting the ability to pass on rise in prices to customers.

## 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 company to improve its scale of operations, profitability margins, overall credit risk profile and efficiently manage its working capital requirement would be the key rating sensitivities.

**Positive :** The rating outlook may be revised to positive if the company is able to significantly improve its profitability and also substantially improve its order book.

**Negative :** The rating may be downgraded if there is a delay in debt servicing, substantial decline in revenues and deterioration in the liquidity profile of the firm.

## LIQUIDITY POSITION (Stretched)

Cash and cash equivalents are Rs. 0.84 Cr for FY 20. The current ratio of the company is moderate at 2.25 times in FY 20. The expected net cash accruals of the company as per Proj. FY 21 are comfortable at Rs. 2.59 Cr as against the CPLTD of Rs. 1.88 Cr as per FY 20. Conversion cycle of the company is on the higher side with 315 days owing to high inventory holding days of 282 in FY20. The debt protection metrics is moderate with an ISCR of 1.49 times and DSCR of 0.97 in FY20. As per the Banker’s Feedback, average utilisation is 85-90%.

Therefore, the liquidity position of the company is considered as stretched.

## COMPANY PROFILE

Seasons Textile Ltd (STL or “the company”) was established in 1986 and has been operating since 34 years. The company is involved in the business of manufacturing of Furnishing Fabrics/Technical Textiles (Flame Retardant). Their manufacturing unit is located in Sonapat, Haryana. The total installed capacity of their manufacturing unit is 16,80,000 meters per year. Seasons Textile generates the majority of its revenue from export sales. Their export to domestic sales ratio is 65:35.

## KEY FINANCIAL INDICATORS (Rs in crores)

Key Parameters	Units	2020	2019
Result Type		Audited	Audited
Operating Income	₹ Cr	33.59	37.52
EBITDA	₹ Cr	4.54	5.86
PAT	₹ Cr	-0.21	0.35
Tangible Net Worth	₹ Cr	21.72	21.67
Total Debt/Tangible Net Worth	Times	1.13	1.17
Current Ratio	Times	2.25	2.19

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:** None

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :** NA

**RATING HISTORY FOR THE LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)**

Instrument /Facility	Current Rating (2020)			Rating History		
	Type	Amount (₹ Crs)	Rating	28/08/2019	23/08/2018	23/08/2017
<b>Fund Based</b>	Long Term	14.00	<b>BWR BB (Stable)</b> Reaffirmed	<b>BWR BB (Stable)</b> Reaffirmed	<b>BWR BB (Stable)</b> Reaffirmed	<b>BWR BB (Stable)</b> Reaffirmed
<b>Non Fund Based</b>	Short Term	3.25	<b>BWR A4</b> Reaffirmed	<b>BWR A4</b> Reaffirmed	<b>BWR A4</b> Reaffirmed	<b>BWR A4</b> Reaffirmed
<b>Total</b>		<b>17.25</b>	<b>INR Seventeen Crores and Twenty Five Lakhs Only.</b>			

\*BWR initially rated At BWR BB (Stable)/A4 for Rs. 23.45 Cr dated 28th July, 2014.

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

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

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**M/s Seasons Textiles Limited  
ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	<b>Canara Bank</b>	OCC	3.75	-	3.75
		PC	6.50		6.50
		FDBE/ODBE	3.75		3.75
		LC		3.00	3.00
		Bank Guarantee	-	0.25	0.25
<b>TOTAL</b>					<b>17.25</b>

**INR Seventeen Crores and Twenty Five Lakhs Only**

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**About Brickwork Ratings :** Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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 reasons.