



Rating Rationale

Scarlet Textile Mills India Pvt Ltd.

11 May 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 7.39 Crores of Scarlet Textile Mills India Pvt Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March,2017)	Present
Fund based					
Term Loan	1.94	1.89	Long Term	BWR B (Pronounced as BWR Single B) Outlook : Stable	BWR B (Pronounced as BWR Single B) Outlook : Stable
Cash Credit	5.50	5.50			
Total	7.44	7.39	INR Seven Crores and Thirty Nine Lakhs Only		

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

Ratings:Reaffirmed

Brickwork Ratings (BWR) has reaffirmed the rating for bank loan facilities of Rs 7.39 Cr of Scarlet Textile Mills India Pvt Ltd (STMIPL or The Company) with Stable outlook.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of the above company upto FY17, projected financial statements of FY19 and publicly available information and information / clarification provided by the company's management.

The rating reflects the Long term experience of the promoters in the same industry. These strength is partially offset by the stretched financial risk profile marked by high gearing, stretched liquidity position, highly competitive industry and susceptibility to profit margins on account of volatility in raw material prices.



Going forward, the ability of the company to profitably scale-up its operations along with improvement in the overall profitability, coverage indicators and efficient management of the working capital requirements will remain the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- The experience of the promoters in the same line of business for more than 15 years.
- Marginal improvement in revenue to Rs. 9.38 Cr in FY17 as against Rs. 9.21 of TOI in FY16 and Company has achieved Rs 12.50 Cr for FY18.

Credit Concerns:

- Small scale of operation,
- Stretched Liquidity position indicated by Current Ratio of 1.13 times in FY-17,
- Working capital intensive nature of operation and leveraged capital structure, with debt to equity ratio at 7.05 times as on March 31, 2017, against 7.41 times a year earlier,
- Exposure to volatility in trading material price, presence in highly fragmented and competitive industry.

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: Stable

BWR believes the Scarlet Textile Mills India Pvt Ltd 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

Scarlet Textile Mill India Pvt Ltd (STMIPL) incorporated on 11th Feb,2013 and registered in Mumbai. Company started its operation in the year 13-14 and has textile unit in Bhuleshwar, Mumbai. It is involved in Spinning, weaving and finishing of textiles and product ranges basic plains,chambreys, poplines, satins,drills,pinpoint oxfords,tussore,herringbone ect.

Company Financial Performance

TOI of Rs. 9.38 Cr with a net profit of Rs. -0.04 Cr in FY17 as against Rs. 9.21 of TOI and net profit of Rs. -0.08 Cr in FY16. Company has achieved Rs 12.50 Cr for FY18. The TNW stood at Rs. 0.83 Cr in FY17, due to internal accruals of loss as compared to 0.87Cr. in FY16.

Key Financial Indicators

Key Parameters	Units	2017	2016
Operating Revenue	₹ Cr	9.38	9.21
EBITDA	₹ Cr	0.75	1.07
PAT	₹ Cr	-0.04	-0.08
Tangible Net worth	₹ Cr	0.83	0.87
Total Debt/Tangible Net worth	Times	7.05	7.41
ISCR	Times	1.30	1.47
Current Ratio	Times	1.13	1.15

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	March,17	2016	2015
1.	Fund Based	Long term	7.39	BWR B (Stable)	BWR B (Stable)	-	-
Total		INR Seven Crores and Thirty Nine Lakhs Only					

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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.