



**Rating Rationale**

**Seasons Textiles Ltd.**

**28 Aug 2019**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 17.25 Crores of Seasons Textiles Ltd..**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2018)	Present (Aug, 2019)
<b>Fund based</b>	<b>16.05</b>	<b>14.00</b>	<b>Long Term</b>	<b>Reaffirmation of BWR BB (Pronounced as BWR Double B) (Outlook: Stable)</b>	<b>Reaffirmation of BWR BB (Pronounced as BWR Double B) (Outlook: Stable)</b>
<b>Non Fund Based</b>	<b>3.25</b>	<b>3.25</b>	<b>Short Term</b>	<b>Reaffirmation of BWR A4 (Pronounced as BWR Single A Four)</b>	<b>Reaffirmation of BWR A4 (Pronounced as BWR Single A Four)</b>
<b>Total</b>	<b>19.30</b>	<b>17.25</b>	<b>INR Seventeen Crores Twenty Five Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Ratings: Reaffirmed**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financial results of the Firm upto FY19, projections of FY20 and FY21, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of management and expansion plans. The rating, however, is constrained by stagnant and small scale of operations, moderate financial risk profile and decreasing profitability margins.



Going forward, the ability of the firm to improve its scale of operations, achievement of projections, improving profitability margins, improving gearing levels and overall financial risk profile shall be the key rating sensitivities.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

- **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 past 33 years, which helps them in maintaining long term relationship with their customers and suppliers.
- **Expansion plans:** The company is expanding their business operations, recently they have added a new kind of fabric, i.e. Sheer transparent fabric. They have invested in property for the purpose of opening showrooms in Lajpat Nagar. Also, they have appointed agents in the UK and Spain in order to increase their network and market share.

#### **Credit Risks:**

- **Stagnant and small Scale of operations:** The sales of the company are stagnant for the past three years due to the effect of demonetization and slow down in international market. However, the net sales have increased marginally from Rs. 36.29 Cr. in FY18 to Rs. 36.69 Cr. in FY19. Besides, the scale is small when compared to the Capital employed
- **Moderate financial risk profile:** The debt protection metrics as evidenced by ISCR has also declined from 2.03 times in FY18 to 1.90 times in FY19. The tangible net worth of the company, though is Rs. 34.92 Cr, a major part of it is invested in land and building which doesn't add directly to its core revenue.
- **Decreasing profitability margin:** PAT has declined from Rs. 0.58 Cr. in FY18 to Rs. 0.35 Cr in FY19 due to increase in interest charges. Subsequently, the net profit margin has also decreased to 0.95% in FY19 from 1.53% in FY18



### **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 **Seasons Textiles 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**

Seasons Textile Ltd (STL or "the company") was established in 1986 and has been operating for the last 33 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 revenue mainly from export sales. Their export to domestic sales ratio is 65:35.

### **Company Financial Performance**

The total operating income shows a slight decline from Rs. 37.64 Cr. in FY18 to Rs. 37.52 Cr. in FY19 due to decrease in other operating income. However, the net sales has increased from Rs. 36.29 Cr. in FY18 to Rs. 36.69 Cr. in FY19. As per the information available on BSE, the company has achieved a revenue of Rs. 9.2 Cr. and a PAT of Rs. 0.19 Cr. till June 2019. OPBDIT has increased to Rs. 5.86 Cr. in FY19 from Rs. 4.84 Cr. in FY18. However, PAT has declined from Rs. 0.58 Cr. in FY18 to Rs. 0.35 Cr in FY19 due to increase in interest charges. Subsequently, the net profit margin has also decreased to 0.95% in FY19 from 1.53% in FY18. The debt protection metrics is moderate with an ISCR of 1.90 times in FY19. The TOL/TNW also increased from 0.68 times in FY18 to 0.89 times in FY19, however the same is still comfortable.

### **Liquidity Position**

The current ratio of the company is moderate at 2.19 times in FY19. The net cash accruals of the company are comfortable at Rs. 2.36 Cr in FY19 as against the CPLTD of Rs. 1.98 Cr. Conversion cycle of the company is on the higher side with 230 days owing to high inventory holding days of 208 in FY19. The company is utilizing almost 70% of their limits. The debt protection metrics is moderate with an ISCR of 1.90 times in FY19.

Considering the above mentioned points, the liquidity position of the company is considered as moderate.

**Rating History for the last three years**

S.No	Facility	Current Rating (Aug 2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	Aug, 2018	Aug, 2017	Aug, 2016
1	<b>Fund Based</b>	Long Term	14	<b>Reaffirmation of BWR BB (Pronounced as BWR Double B) (Outlook: Stable)</b>	<b>Reaffirmation of BWR BB (Pronounced as BWR Double B) (Outlook: Stable)</b>	<b>Reaffirmation of BWR BB (Pronounced as BWR Double B) (Outlook: Stable)</b>	<b>Reaffirmation of BWR BB (Pronounced as BWR Double B) (Outlook: Stable)</b>
2	<b>Non Fund Based</b>	Short Term	3.25	<b>Reaffirmation of BWR A4 (Pronounced as BWR Single A Four) Reaffirm</b>	<b>Reaffirmation of BWR A4 (Pronounced as BWR Single A Four) Reaffirm</b>	<b>Reaffirmation of BWR A4 (Pronounced as BWR Single A Four) Reaffirm</b>	<b>Reaffirmation of BWR A4 (Pronounced as BWR Single A Four) Reaffirm</b>
<b>Total</b>			<b>17.25</b>	<b>₹ Seventeen Crores Twenty Five Lakhs Only</b>			

### Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	In Rs. Cr.	37.52	37.64
EBITDA	In Rs. Cr.	5.86	4.84
PAT	In Rs. Cr.	0.35	0.58
Tangible Net worth	In Rs. Cr.	34.92	34.38
Total Debt/Tangible Net worth	Times	0.73	0.52
Current Ratio	Times	2.19	1.93

### Hyperlink/Reference to applicable Criteria

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

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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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