



## RATING RATIONALE

30 Dec 2019

**Shivalik Design Pvt. Ltd.**

### **Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 8 Crores of Shivalik Design Pvt. Ltd.**

#### Particulars:

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2018)	Present
Fund based	8	8	Short Term	BWR A4	BWR A4 (Reaffirm)
<b>Total</b>	<b>8</b>	<b>8</b>	<b>INR Eight Crores Only</b>		

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

\*\* Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

#### RATING ACTION / OUTLOOK

BWR has reaffirmed the rating of Shivalik Design Pvt. Ltd. to BWR A4 in view of the experienced management. However, the rating is constrained by, stagnant growth and losses incurred in FY19, weak financial risk profile and absence of hedging policies.

#### KEY RATING DRIVERS

- **Credit Strengths:**

**Experienced management:** The directors of the company, Mr. Rajat Bahal and Mr. Sunil Jindal have extensive experience in the textile industry. Their experience and knowledge has helped them in maintaining relationships with their customers and suppliers.

- **Credit Risks:**

**Stagnant growth and net loss in FY19:** The total operating income remains stagnant at Rs. 25.85 Cr. in FY19 as against Rs. 25.40 Cr. in FY18. The company has incurred operating loss amounting to Rs. 0.98 Cr. in FY19, the company has also incurred a net loss of Rs. 1.52 Cr. As discussed with management, the net loss is due to significant air freight incurred on delayed shipment. Till 31 Oct 2019, the company has achieved a turnover of Rs. 5.43 Cr.



**Weak financial risk profile:** The company's financial risk profile is weak as evidenced by the weak debt protection metrics is with an ISCR and DSCR of -1.28 times and -0.65 times in FY19. The tangible net worth has completely eroded due to cash loss incurred in FY19 and stood at Rs. -0.40 Cr. in FY19

**No hedging policy in place:** Despite the fact that the company is exporting 100% of their garments, they have not taken any hedging measures, thus, exposing itself to foreign currency fluctuation risk.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered standalone financials of Shivalik Design Pvt. Ltd. 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 increase the revenue and profitability, improving debt protection metrics and overall financial risk profile will be the key rating sensitivities.

**Positive:** The rating may be upgraded in case of substantial improvements in scale of operations, increase in profitability margins and improvement in overall financial risk profile

**Negative:** The rating may be downgraded in case of deterioration in revenue and profitability margins or any adverse movements in the debt protection metrics.

## **LIQUIDITY POSITION: Stretched**

The current ratio stood moderate at 1.56 times in FY19. However, the net cash accrual is weak with Rs. -1.76 Cr, as against the CPLTD of Rs. 0.13 Cr. in FY19. The debt protection metrics is weak with an ISCR of -1.28 times and a DSCR of -0.65 times in FY19. The conversion cycle is also high at 164 days due to high inventory holding period of 139 days in FY19.

## **COMPANY PROFILE**

The foundation of Shivalik Design Pvt. Ltd. was laid in 2011, as an entity engaged in the manufacturing and exporting of garments. The production facilities are vertically integrated to facilitate all the processes involved in the garment manufacturing company. They have facilities for in-house processing such as fabric, cutting, finishing and packing. The two main raw materials in which the company operates are Fabric and Yarn. The company does 100% export to countries like US, UK, France and Hong Kong.

## KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Cr	25.85	25.40
EBITDA	₹ Cr	-0.98	0.86
PAT	₹ Cr	-1.52	0.03
Tangible Net worth	₹ Cr	-0.40	1.12
Total Debt/Tangible Net worth	Times	-41.46	16.02
Current Ratio	Times	1.56	1.70

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

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

## RATING HISTORY

Instrument / Facilities	Current Rating (Dec 2019)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2018	2017	2016
Fund Based	Short Term	8	<b>BWR A4</b> (Reaffirm)	<b>BWR A4</b> (Reaffirm)	<b>BWR A4</b>	-
Total		8	INR Eight Crores Only			

## 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](#)

- [Short Term Debt](#)

Analytical Contacts	Investor and Media Relations
<p>Navnica Mishra Primary Analyst B :+91 11 2341 2232 navnica.m@brickworkratings.com</p> <p>Satvinder Kumar Gakhar Assoc. 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>

Shivalik Design Pvt. Ltd.

**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	Canara Bank	PC/FDB/FBE	-	8	8
<b>TOTAL</b>					<b>8</b>

**Total Rupees Eight Crores 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 reasons