Rating Rationale

Shakambari Knitting Pvt. Ltd.

16 Aug 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 24.62 Crores of Shakambari Knitting Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June 17)	Present
Fund based Cash Credit (Sanctioned)	14.00	14.50	Long Term	BWR BB (Outlook:Stable) (Pronounced as BWR Double B)	BWR BB (Outlook:Stable) (Pronounced as BWR Double B) Reaffirmed
Cash Credit (Proposed)	6.00	-			
Term Loan (Proposed)	4.00	-			
Term Loan-1	3.30	0.22			
Term Loan-2		0.39			
Term Loan-3		0.92			
Term Loan-4		3.14			
Term Loan-5 (Existing WCTL)		2.60			
Fresh Term Loan		2.85			
Total	27.30	24.62	INR Twenty Four Crores and Sixty Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings .**RNR on 3 Sep 2018.Term Loan outstanding as on 26 July 2019.Nomenclature of term loan has been changed by bank.Besides this there is IRS PFE of Rs 1.43 Crs which is not to be rated**

Ratings: Reaffirmed

BWR has essentially relied on Audited Financials upto FY 18, provisionals of FY 19, projections upto FY 20, publicly available information and information/clarification provided by company's management

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating factors inter-alia moderate scale of operations, experience of promoters and moderate net worth. The ratings are constrained by low NPM,high gearing, tight liquidity, high TOL/TNW and decrease in coverage indicators

Going forward, the ability of the company to increase its scale of operations, reduce gearing and TOL/TNW, improve profit margins shall remain key rating sensitivities

Description of Key Rating Drivers

Credit Strengths:

- Moderate Scale of Operations as indicated by Total Operating Income for FY 18 of Rs 84.57 Crs.In FY 19 provisional increase in TOI is observed,where TOI stands at Rs 108.27 Crs
- Experience of Promoters(One of the Promoter has experience of over three decades)
- Moderate Net Worth of Rs 10.96 Crs in FY 18 which has increased marginally to Rs 12.44 Crs in FY 19 Provisional

Credit Risks:

- Low NPM observed in FY 18(0.88%) although increased from FY 17(0.78%)
- High Gearing observed for FY 18(1.98 times)
- Tight Liquidity observed for FY 18 as indicated by current ratio of 1.15 times
- High TOL/TNW observed for FY 18(6.08 times)
- Decrease in Coverage Indicators to FY 18(ISCR: 1.65 times,DSCR: 1.19 times) from FY 17(ISCR:1.76 times,DSCR: 1.32 times)

Liquidity Profile: Average Utilization from Dec 2018 to May 19 is 97.74%, Cash and Cash Equivalent for FY 18 is Rs 0.09 Crs and Current Ratio for the same period is 1.15 times

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 **Shakambari Knitting 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

Shakambari Knitting Pvt Ltd was incorporated in 1999 and is based in Bhiwandi, near Thane, Maharashtra. The directors of the company are Mr Virendra Kumar, Mr Karan Rungta and Mr Gaurish Rungta. The company is involved in the manufacturing of cotton garment, trading of knitted fabrics at its factory in Bhiwandi and also undertakes production on job work for other fabrics manufacturers. At present dominant activity is trading. The company procures polyester knitted fabrics from Silvasa and outsources dyeing and printing process to local players in Surat and finished knitted fabric is cut and packed in house at Bhiwandi Factory before dispatch to traders across country

Company Financial Performance

The Total Operating Income for FY 17 stands at Rs 83.68 Crs while for FY 18 the same stands at Rs 84.57 Crs. The Profits After Tax for FY 17 stand at Rs 0.65 Crs and for FY 18 stand at Rs 0.75 Crs. The Total Operating Income for FY 19 Provisional stand at Rs 108.27 Crs. The Tangible Networth for FY 18 stands at Rs 10.96 Crs

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	1.06.2017	31.12.2016	13.05.2015
1)	Fund based Cash Credit (Sanctioned)	Long Term	14.50	BWR BB (Outlook: Stable) (Pronounced as BWR Double B) Reaffirmed	BWR BB (Outlook: Stable) (Pronounced as BWR Double B)	Rating Not Reviewed	BWR BB (Outlook: Stable) (Pronounced as BWR Double B)
2)	Cash Credit (Proposed)		-				
3)	Term Loan (Proposed)		-				
4)	Term Loan-1		0.22				
5)	Term Loan-2		0.39				
6)	Term Loan-3		0.92				
7)	Term Loan-4		3.14				
8)	Term Loan-5 Existing WCTL		2.60				
9)	Fresh Term Loan		2.85				
10)	Non Fund Based Letter of Credit	Short Term	-	-	Rating Withdrawn		BWR A4 (Pronounced as BWR A Four)
	Total		24.62	INR Twenty Four Crores and Sixty Two Lakhs Only			

RNR on 3 Sep 2018

Status of non-cooperation with previous CRA (if applicable)-India Rating withdraws the rating of Shakambari Knitting Pvt Ltd for Rs 8.50 Crs on Feb 11, 2016

Any other information-NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Aud**	**Aud**
Operating Revenue	Crores	84.57	83.68
EBITDA	Crores	4.05	3.86
PAT	Crores	0.75	0.65
Tangible Net worth	Crores	10.96	10.21
Total Debt/Tangible Net worth	Times	1.98	1.82
Current Ratio	Times	1.15	1.16

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Trading Entities

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About Brickwork Ratings

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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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