

Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 19.00 Crs of Quality Fabrics.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jun, 2019)	Present
Fund Based	1.50	8.00	Long Term	Issuer Not Cooperating BWR B (BWR Single B) Outlook: Stable	BWR BB- (BWR Double B Minus) Outlook: Stable Upgraded
	10.00	8.00	Short Term	Issuer Not Cooperating BWR A4 (BWR A Four)	BWR A4 (BWR A Four) Reaffirmed
Non-fund Based	2.00	3.00			
Total	13.50	19.00	INR Nineteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results till FY18, projected financial statements till FY20, publicly available information and information/clarification provided by the client.

The ratings upgradation has factored the stable and steady financial growth of the firm over a period of time. It has also factored the experience of the proprietor, vintage of the firm, scale of operations .

The rating is, however, constrained by declining revenues, declining net worth, increased gearing and capital withdrawal from business.

Going forward, the ability of the business to increase its networth by infusing capital, to improve profitability margins and revenue would be the key rating factors for the rating of the business.



Description of Key Rating Drivers

- **Credit Strengths:**

Quality Fabrics was established in 2004 and has a vintage of 15 years. The proprietor, Mr. Shemosh, also has over 2 decades of experience in the same line of business. The firm reported a turnover of over Rs. 100 Crs in FY17. The firm has also purchased/imported machinery for their new manufacturing unit in Salem which is expected to increase its production capacity further. The firm has moderately good coverage ratios with ISCR and DSCR at 2.06 and 1.49 times respectively for FY18.

- **Credit Risks:**

Quality Fabrics, as compared to a turnover of Rs. 106.20 Crs in FY17, reported a turnover of Rs. 96.40 Crs in FY18. PAT for FY18 was Rs. 0.89 Crs as compared to Rs. 1.02 in FY17. The firm has reported a lower turnover due to a slump in demand since the new GST regulations. Due to the constitution of the firm, capital withdrawals from the business has been observed by the proprietor. This has caused the net worth of the company to decline to Rs. 3.55 Crs in FY18 from Rs. 4.29 Crs in FY17. Since the firm is a proprietorship concern, any withdrawal of the capital will have a bearing on their financials. This would be a rating sensitive.

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 **Quality Fabrics** 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

Quality Fabrics is a proprietorship concern started in July 15, 2004 by Mr Shemosh at Perundurai, Erode. The firm is engaged in Manufacturing of Fabrics from Yarn of 6s to 100s counts. The firm purchases yarn, weaves it and converts it to fabric, and sells it to the exporters across India and caters to Apparels and Home textile segment for its customers. The firm outsources dyeing, weaving, washing, warping, yarn twisting and sizing activities.

Company Financial Performance

The firm generated a revenue of Rs. 96.40 Crs and a profit of Rs. 0.89 Crs in FY18 where as in FY17 it generated a revenue of Rs. 106.20 Crs and a profit of Rs. 1.02 Crs. Tangible net worth of the unit declined to Rs. 3.55 Crs in FY18 from Rs. 4.29 Crs in FY17.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	17.06.19	31.12.16	07.04.14
	Fund Based	Long Term	8.00	BWR BB- (BWR Double B Minus) Outlook: Stable	Issuer Not Cooperating BWR B (BWR Single B) Outlook: Stable	Rating Not Reviewed	BWR B+ (BWR Single B Plus) Outlook: Stable
		Short Term	8.00	BWR A4 (BWR A Four)			BWR A4 (BWR A Four)
	Non Fund Based		3.00				
	Total		19.00	₹ Nineteen Crores Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	96.40	106.21
EBITDA	₹ Cr	1.78	1.96
PAT	₹ Cr	0.89	1.02
Tangible Net worth	₹ Cr	3.55	4.29
Total Debt/Tangible Net worth	Times	3.35	1.22
Current Ratio	Times	1.22	1.41

Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

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, 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

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