**Rating Rationale** 15 Oct 2020

**Orito Polyfab Pvt Ltd.**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 47.79 Crores of Orito Polyfab Pvt Ltd. (Hereinafter referred as "OPPL" or te "Company")**

**Particulars**

| Facility | Amount (₹ Crs) | | Tenure | Rating* | |
|---|---|---|---|---|---|
| | Previous | Present | | Previous (April,2019) | Present |
| Fund based | 43.60 | 44.29 | Long Term | BWR BB+ ( Stable) | BWR BB+ ( Stable) (Reaffirmation) |
| Non Fund Based | 3.50 | 3.50 | Short Term | BWR A4+ | BWR A4+ (Reaffirmation) |
| Total | 47.10 | 47.79 | Rupees Forty Seven Crores and Seventy Nine Lakhs Only | | |

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

**RATING ACTION / OUTLOOK**

BWR has considered the standalone financials of the Company and essentially relied upon the audited financial statements up to FY19, management certified provisional financials of FY20, projected financials up to FY23 and publicly available information and clarifications provided by the entity's management.

The rating reaffirmation draws strength from the overall improvement in operating and moderate financial risk profile, comfortable net worth, and adequate liquidity position. The Company also benefits from vast business experience of around a decade of the promoters in the textile industry. The ratings are, however, constrained by vulnerable profit margins due to volatility in the cotton prices, forex rates and highly competitive and working capital intensive nature of the industry.

Going further, the risk of achieving the estimated sales and profits are expected to be hit as a result of the COVID epidemic. BWR believes that the business is exposed to the current economic scenario post lockdown and will be vulnerable in the near term.

BWR believes that **Orito Polyfab 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.

**Description of Key Rating Drivers**

**Credit Strengths:**

- **Extensive experience of promoters in the textile industry–** Established in 2013, GTIL' operations are managed by Mr Sanjay Patel, Mr Dinesh Patel and other directors, who have around a decade of experience in the textile business. The company benefits from longstanding existence in the industry and business supports healthy relationships with customers and suppliers.

- **Moderate financial risk profile:** The Company has witnessed a consistent growth in revenue since the last couple of years. OPPL has reported an operating income of Rs. 114.40 Crs in FY19 as compared to TOI of Rs. 71.75 Crs in FY18 in spite of sluggish demand in the domestic markets post GST implementation. As per management certified provisional financials as on 31st March, 2020, the company has achieved the revenue of Rs. 125.60 Crs for current year FY20. In FY19, Tangible net worth was comfortable at Rs. 19.82 Crs on the back of retained profits of past years. Gearing was high yet improved from 3.19x in FY18 to 2.36x in FY19, because of timely repayment of the term loans. Further, the debt protection metrics have remained comfortable with DSCR at 1.70x and ISCR 1.81x in FY19.

**Credit risks:**

- **Susceptibility of profit to volatility in the raw material price:** Operating profit margins have remained relatively low yet improved marginally from 7.87% to 9.48% due to fluctuation in prices of cotton and subsidy benefit received from the government. During the last two fiscals, 9%-25% of revenues are being generated from export sales from european countries, hence is susceptible to forex rate fluctuations. The net profit margins are weak at 0.13% to 0.67% due to high finance cost in FY18 & FY19 respectively. Textile Industry's profit margins are highly correlated with fluctuations in cotton prices and are susceptible to various risks like the need for adherence to quality, seasonality, etc.

- **Exposed to intense competition in the highly fragmented Indian textile industry:** The textile industry segment is characterised by high levels of fragmentation and low entry barriers across the value chain. The company faces stiff competition in both domestic and overseas markets from other up and coming players, which attract more business because of their lower production costs, ease-of-doing-business and availability of cheap labour.

- **Working capital intensive nature of operations:** The Company's operations are working capital intensive operations as reflected by higher inventory and receivables period owing to the nature of the business.

**RATING SENSITIVITIES**

**Positive:**
Substantial growth in revenue and profitability while maintaining working capital cycle, timely collection from debtors and improvement in gearing and debt protection metrics are key rating positives.

**Negative:**
Lower than expected growth in operating income, deterioration in gearing and debt coverage metrics, profitability, stretched liquidity position will be key rating sensitivities.

**Liquidity Position: Adequate**
Net cash accruals shows improvement from Rs. 6.99 Crs in FY18 to Rs. 8.68 crs in FY19. Cash accruals are sufficient against the current maturity of long term debts. Working capital cycle was efficiently managed with a short receivable cycle of 9 days and conversion cycle of 23 days in FY19. Average Cash credit utilization was above 85% in the last twelve months ending on 30Sept2020. The company has opted for moratorium benefit for one of the two lenders which has supported the liquidity position in the short term. Current ratio is comfortable and stagnant at 1.22x in FY18 & FY19. BWR believes that the company's liquidity would continue to be adequate in the near term.

**About the Company**
Incorporated in 2013, Orito Polyfab Private Limited (OPPL) is carrying out an activity of cotton spinning at Himatnagar, Gujarat. The company is promoted and managed by Mr. Sandip Patel and four othThe company sells its products in domestic as well as in international market.er directors. The manufacturing capacity is 5110 MTPA per annum with 24000 spindles.

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Not Applicable**

**KEY FINANCIAL INDICATORS** (in ₹ Cr)

| Key Parameters | Units | FY19 | FY18 |
|---|---|---|---|
| **Result Type** | | **Audited** | **Audited** |
| Operating Income | ₹ in Cr | 114.40 | 71.75 |
| EBITDA | ₹ in Cr | 14.60 | 7.04 |
| Net Profit | ₹ in Cr | 0.74 | 0.09 |
| Tangible net worth | ₹ in Cr | 19.82 | 15.59 |
| Debt/Tangible net worth | Times | 2.36 | 3.19 |
| Current Ratio | Times | 1.22 | 1.22 |

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:** India Ratings and Research has migrated the rating of IND BB-(Stable)/A4+ to "Issuer non cooperation" category on 24th May, 2019 and CRISIL ratings has migrated the rating of CRISIL B (Stable)/A4 to "Issuer non cooperation" category on 7th October, 2019.

**RATING HISTORY**

| Facilities | Current Rating (2020)# | | | Rating History | | |
|---|---|---|---|---|---|---|
| | Tenure | Amount (₹ Cr) | Rating | 22April019 | 2018 | 2017 |
| Fund Based | Long Term | **44.29** | **BWR BB+ ( Stable) (Reaffirmation)** | **BWR BB+ ( Stable)** | **Not Rated** | **Not Rated** |
| Non-Fund Based | Short Term | **3.50** | **BWR A4+ (Reaffirmation)** | **BWR A4+** | **Not Rated** | **Not Rated** |
| **Total** | | **47.79** | **Rupees Forty Seven Crores and Seventy Nine Lakhs Only** | | | |

#Rating not reviewed advisory issued on 23rd April, 2020.

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

For any other criteria obtain hyperlinks from the website

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**



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**Orito Polyfab 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 | **Punjab National Bank** | **Fund Based :**<br>Cash Credit<br>Term Loan<br>**Non-Fund Based:**<br>Bank Guarantee | 8.50<br>13.99<br><br>- | -<br>-<br><br>1.00 | 23.49 |
| 2 | **The Mehsana urban co op bank limited** | **Fund Based :**<br>Cash Credit<br>Term Loan<br>**Non-Fund Based:**<br>Bank Guarantee | 3.75<br>18.05<br><br>- | -<br>-<br><br>2.50 | 24.30 |
| | | **TOTAL** | 44.29 | 3.50 | 47.79 |

**Total Rupees Forty Seven Crores and Seventy Nine Lakhs Only.**

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**About Brickwork Ratings** : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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.