

Shree Navkar Tex Creations

Instrument	Amount Rated	Rating Action
	In Rs. Crore	As of September 2016
Fund-based Limits	10.00 (enhanced from 8.50)	[ICRA]B+; <i>reaffirmed</i>

ICRA has reaffirmed its long-term rating of [ICRA] B+ (pronounced ICRA B plus) to the Rs. 10.0-crore¹ (enhanced from Rs 8.50 crore) long-term fund-based limits of Shree Navkar Tex Creations (SNTC)².

ICRA's rating is constrained by SNTC's high working capital intensity owing to high debtors and inventory, which keeps the firm dependent on external debt and credit from suppliers. Hence, the firm's liquidity also remains under pressure as reflected in the high utilisation of bank limits and frequent utilisation of ad hoc limits. The rating is further constrained by the vulnerability of the firm's profitability to fluctuations in raw material prices and also high client concentration risk with top five contributing around 65% of the total sales in FY2016 and the top clients contributing around 45% of total sales. ICRA also takes into account the firm's modest scale of operations and the risks associated with the proprietorship nature of the firm like withdrawal of capital, risk of dissolution etc. However, the rating favourably factors in the proprietor's experience in the textile trading business, favourable location with easy access to raw material and steady revenue growth and moderate profitability.

Going forward, SNTC's ability to increase its scale and improve its liquidity position will be the key rating sensitivities.

About the firm

SNTC is a proprietorship firm based in Pali, Rajasthan which was incorporated in 2008 and is managed by second generation entrepreneur Mr. Kalpesh Bhandari. The firm is a part of the Pali-based ISON group, which has interests in real estate development, apart from textile trading. The firm trades in 'rubia', a fabric which is primarily used in blouses for women and as an inner lining in dresses. It procures the grey fabric from 'mandis' in Rajasthan and Maharashtra and gets it processed on an outsourced basis in Pali, which is a hub for textile processing. It sells its fabric to wholesalers across the country through agents on a commission basis.

Recent results

In FY2015, SNTC generated a PAT of Rs 0.59 crore on an Operating Income (OI) of Rs 34.99 crore, as compared to a PAT of Rs 1.52 crore on an OI of Rs 33.06 crore in the previous year. In FY2016, the firm, on a provisional basis, generated a PAT of Rs 0.71 crore on an OI of Rs 44.69 crore.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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