

ANTIK
July 15, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	3.77	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Short-term Bank Facilities	0.15	CARE A4 (A Four)	Assigned
Total facilities	3.92 (Rupees Three Crore and Ninety Two Lakhs only)		

Details of instruments/facilities in Annexure-I

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Antik (ANK) are constrained by limited experience of proprietor, short track record, small scale of operations with low net worth base and low PAT margins and elongated operating cycle. The ratings are further constrained by proprietorship nature of constitution, exposure to raw material price volatility, foreign currency fluctuation risk and competitive and fragmented nature of industry. The ratings, however, derive support from the moderate debt coverage indicators and favorable location of operations.

Going forward, the ability of the firm to scale up its operations while improving its profitability margins and efficiently managing its working capital cycle would remain the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Weaknesses*****Limited experience of proprietor***

ANK is engaged in manufacturing of handloom products and is managed by Mr. Ankit. Mr. Ankit has an experience of 3 years which he has gained through his association with ANK only. However the proprietor is supported by experienced staff to manage day to day operations. Also, the proprietor has support of other family run businesses – Nikunj International, Gupta Textile Mills and Gupta Spinners.

Short track record and small scale of operations with low net worth base and low PAT margin

Owing to limited track record of operations, the scale of operations of the firm remained small marked by total operating income (TOI) of Rs.8.00 crore in FY19 (Prov.) and net worth base of Rs.2.19 crore as on March 31, 2019. The small scale limits the financial flexibility of the firm in times of stress and deprives it of scale benefits.

Further, the PBILDT margin of the firm stood moderate at 10.02% in FY19. It deteriorated from 21.98% in FY18 as the firm compromised on margins to increase its sales. However, the PAT margin of the firm stood low at 1.18% in FY19.

Liquidity Position

The operating cycle of the firm stood elongated at 122 days for FY19 (PY: 150 days). The current ratio and quick ratio stood moderate at 1.99x and 0.83x, respectively, as on March 31, 2019. The average utilization of working capital limits remained around 85% for the past 12 months period ended May 2019.

Proprietorship nature of constitution

ANK's constitution as a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietors' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of proprietor.

Exposure to raw material price volatility

The entities in textile industry are susceptible to fluctuations in raw material prices. Cotton yarn, jute yarn and polyester yarn are the primary raw materials required for production of handloom products. The raw material cost forms major part of the cost of sales. Any wide fluctuation in price of its key raw material and inability to timely pass on the complete increase in the prices to its customers is likely to affect its profitability margins.

Foreign currency fluctuation risk

The income from exports constituted approx. 5% of the total revenue in FY19 (Prov.) while the raw material procurement is done completely from the domestic market, thereby exposing the firm to risks associated with adverse fluctuations in the foreign currency. With cash outlay for procurement in domestic currency & around ~5% of sales realization in foreign currency and in the absence of any hedging mechanism, the firm is exposed to the fluctuation in exchange rates.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Highly competitive and fragmented nature of industry

The firm operates in the textile manufacturing and processing industry which is highly competitive industry with presence of numerous independent small-scale enterprises owing to low entry barriers leading to high level of competition in the processing segment. Furthermore, the Indian textile industry also faces competition from the low cost countries like China and Bangladesh. The intense competition in the textile processing industry also restricts ability to completely pass on volatility in input cost to its customers, leading to lower profit margins.

Key Rating Strengths

Moderate debt coverage indicators

The debt coverage indicators stood moderate marked by interest coverage ratio of 3.05x in FY19 (prov.) and total debt to GCA ratio of 7.13x, as on March 31, 2019. The interest coverage ratio deteriorated on a year-on-year basis in FY19 due to higher interest expenses incurred. Furthermore, the total debt to GCA ratio also deteriorated on a year-on-year basis in FY19 (Prov.) due to increase in total debt outstanding of the firm.

Favorable location

ANK's manufacturing facility is located in Panipat, Haryana which is one of the largest textile hubs in India for textile products and is a ready available market for these products. The firm benefits from the location advantage in terms of easy accessibility to large customer base located in Panipat. Additionally, various raw materials required in manufacturing of products are readily available owing to established supplier base in the same location. Furthermore, skilled labour is also available by virtue of it being situated in the textile cluster.

Analytical Approach: Standalone

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Criteria for short term instruments](#)

[Financial ratios –Non-Financial Sector](#)

About the firm

Antik (ANK), based in Panipat, Haryana was established in 2016 as a proprietorship concern with Mr. Ankit as proprietor. ANK is engaged in manufacturing of polyester towels at its facility located in Panipat, Haryana with an installed capacity of manufacturing 6 lakh kg of polyester towels per annum as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (Prov.)
Total operating income	3.19	8.00
PBILDT	0.70	0.80
PAT	0.03	0.09
Overall gearing (times)	1.61	1.76
Interest coverage (times)	4.13	3.05

A-Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	February 2025	1.27	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	2.50	CARE B+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.15	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	1.27	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	2.50	CARE B+; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.15	CARE A4	-	-	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Name – Gaurav Gupta

Contact no.- 0172-4904002

Email ID – gaurav.g@careratings.com

Business Development Contact

Name – Ananda Praksh Jha

Contact no. -0172-4904001

Email ID – anand.jha@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.