

## Nutech Global Limited

March 22, 2018

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	8.07	CARE BB; Stable (Double B; Outlook:Stable)	Reaffirmed
<b>Total facilities</b>	<b>8.07</b> <b>(Rupees Eight crore and seven lakh only)</b>		

*Details of instruments/facilities in Anneuxre-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Nutech Global Limited (NGL) continues to remain constrained on account of its financial risk profile marked by modest scale of operations with moderate profitability margins, moderately leveraged capital structure with weak debt coverage indicators and moderate liquidity profile. The rating, further, continues to remain constrained due to its presence in the highly fragmented fabric processing industry with limited presence in value chain.

The rating, however, continues to derive strength from experienced promoters in the textile industry with established distribution network and established track record of operations.

The ability of the company to improve its overall financial risk profile with improvement in the scale of operations and solvency position would be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weakness

##### ***Modest scale of operations with moderate profitability***

TOI of the company has marginally declined by 1.04% in FY17 over FY16 mainly due to decline in sales owing to its presence in competitive market.

During FY17, PBILDT margin has marginally improved by 24 bps and remained largely stagnant over FY16 mainly due to higher trading activity done at lower cost of traded goods. However, PAT margin of the company declined by 13 bps in FY17 over FY16 mainly due to increase in interest expenses.

##### ***Moderate solvency position***

The solvency position of the company stood moderate with 1.39 times as on March 31, 2017. Further, total debt to GCA stood weak with 14.27 times as on March 31, 2017. Interest coverage ratio of the company stood moderate at 1.45 times as on March 31, 2017.

##### ***Weak liquidity position***

The operating cycle of the company remained elongated at 112 days in FY17 due to higher inventory holding period and collection period. However, cash flow from operating activities stood at Rs.1.42 crore in FY17, improved from 1.09 crore in FY16 mainly due to lower working capital gap.

### Key Rating Strength

##### ***Experienced promoters in the textile industry with established track record of operations and marketing network***

The promoters of NGL have significant experience of more than three decade in the textile industry. Mr. Shyam Sunder Mukhija, Mr. Rajeev Mukhija and Mr. Sanjeev Mukhija, directors, are graduate by qualification and looks after the overall affairs of the company. Being present in the textile industry since 1984, the company has well-established network of agents and dealers, present in various states in Northern and Southern region of India. NGL is benefited from the established distribution network and existing client base. Major sales of the company are made through agents since last three financial years ended FY16.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Analytical Approach:** Standalone

**Applicable Criteria**

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

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

[Rating Methodology-Manufacturing Companies](#)

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

**About the Company**

Bhilwara (Rajasthan) based Nutech Global Limited (NGL) was initially incorporated as a private limited company in 1984 namely Nutech Spinning Pvt. Ltd. However, in October, 2000, it changed its constitution to limited and changed its name to NGL. The key promoters of the company include Mr. Shyam Sunder Mukhija and Mr. Rajeev Mukhija. NGL uses cotton yarn as raw material which is procured from traders for manufacturing of grey fabric and processing of finished fabrics gets done on job work basis from other process houses. The plant of the company has total installed capacity of 42.06 Lakh Meters Per Annum (LMPA) for manufacturing of grey fabrics as on March 31, 2017. The company is also engaged in the trading of grey and finished fabrics. It sells its product majorly in local market under brand name 'Pride Suiting'.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	39.49	39.08
PBILDT	2.19	2.27
PAT	0.12	0.07
Overall gearing (times)	1.32	1.39
Interest coverage (times)	1.55	1.45

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

**Rating History for last three years:** Please refer Annexure-2

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

**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	-	-	December, 2018	0.27	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	7.80	CARE BB; Stable

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	0.27	CARE BB; Stable	-	1)CARE BB; Stable (24-Mar-17) 2)CARE BB (12-Apr-16)	-	-
2.	Fund-based - LT-Cash Credit	LT	7.80	CARE BB; Stable	-	1)CARE BB; Stable (24-Mar-17) 2)CARE BB (12-Apr-16)	-	-

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