

Press Release

Sristi Garments

May 15, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	5.50	-	-

Rating Rationale

Acuite has reaffirmed its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.5.50 Cr bank facilities of Sristi Garments (SG).

Rationale for the reaffirmation of the rating

The rating has been reaffirmed considering the established track record of operations, bank facilities, and the experienced management.

These rating strengths are partially offset by its modest scale of operations, below-average financial risk profile, susceptibility to geographic concentration risk, and the forex fluctuation risk.

About the Firm

Sristi Garments (SG) was established in 2005 as a proprietary firm by Ms. P Kavitha. It manufactures kids' and lady's readymade garments, and exports the cent percent to Spain and Netherlands. Netherlands constitutes ~60% of the sales and the balance is from Spain. The firm currently has an installed capacity of manufacturing 10,000 pieces of readymade garments per day, with the current production of approximately 7000 pieces daily. It has total three units in Tamil Nadu, two of these units are located in Madhavaram, and one in Thiruvotriyur.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SG to arrive at the rating

Key Rating Drivers

Strengths

- Experienced management and the established track record of operations

SG is a proprietorship concern, established in the year 2005 by Ms. P Kavitha, who has over a decade of experience in textile industry. Mr. Balakrishna, the Managing

Director looks after the daily business activities. He has more than 2 decades experience in textile industry.

The long track record of the management has enabled them to establish a strong relationship with its stakeholders. Acuité believes that SG will continue to benefit from experienced management and established track record of operations.

Weaknesses

- **Modest scale of operations**

The revenue of the firm stood at Rs.18.80 Cr in FY2022 as against Rs. 17.71 Cr in FY2021 due to the orders flow. The management is expected to generate a revenue of Rs.19-20 Cr in FY2023. Acuité believe that the revenues of the firm expected to be remained modest in the near term.

- **Below-average financial risk profile**

The company's below the average financial risk profile is marked by low net worth, high gearing, and moderate debt protection metrics. The net worth of the company stood at Rs.4.07 Cr and Rs.3.93 Cr on March 31, 2022, and 2021 respectively. The gearing of the company stood at 2.68 times as on March 31, 2022 against 2.57 times as on March 31, 2021. Debt protection metrics – The Interest coverage ratio and the Debt Service Coverage Ratio stood at 2.24 times and 1.18 times as on March 31, 2022 respectively as against 2.61 times and 1.78 times as on March 31, 2021 respectively. TOL/TNW stood at 3.37 times and 2.90 times as on March 31, 2022, and 2021 respectively. The Debt to EBITDA of the company stood at 5.67 times as on 31 March, 2022 as against 4.72 times as on 31st March, 2021.

Acuité believes that the financial profile of the SG is expected to be at similar levels over the medium term owing to moderate accretion to reserves and absence of any significant debt-funded capex plans.

- **working capital management**

The working capital management of the company remained intensive with GCA days at 208 days as on March 31, 2022 as against 167 days as on March 31, 2021. Inventory days stood at 89 days as on March 31, 2022 as against 19 days as on March 31, 2021, inventory days have increased due to the delay in year end shipment. Subsequently, the payable period stood at 118 days as on March 31, 2022 as against 44 days as on March 31, 2021. The debtors day stood at 64 days as on March 31, 2022 as against 91 days as on March 31, 2021. Further, the average bank limit utilization in the last six months ended in March 23 and remained at ~69 percent for fund based.

- **Susceptibility to geographic concentration risk and foreign exchange fluctuation risk**

SG's is a 100 per cent export oriented unit, deriving its income by exports to Netherlands (60 %) and Spain (40 %). The revenues and operations of the firm are subject to alterations in the regulatory environment and consumer preferences in these countries. Further, the firm susceptible to the forex fluctuation risk as 100 % its revenue are generated via exports. The ability of the concern to diversify its consumer base to the new geographies will be a key rating monitorable.

Rating Sensitivities

- Lower-than-expected revenue and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Material covenants

None

Liquidity Position:**Adequate**

The liquidity position of the firm remained adequate with adequate net cash accruals to service their debt obligations. The NCA's of SG stood moderate and remained in the range of Rs.1.06 Cr in FY2022 against the repayment obligation of Rs.0.77 Cr for the same period. The NCA's are expected to be in the range of Rs.0.98-1.12 Cr through FY23-24 against the repayment obligation of Rs.0.66-0.76 Cr for the respective periods. The current ratio of the firm stood modest at 1.23 times as on March 31, 2022. The cash and bank balance of the company stood at Rs.0.24 Cr as on March 31, 2021, and the bank lines of the firm limits have remained utilized in the range of 69% for last 6 months ended March 2023.

Outlook:

Not applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	18.80	17.71
PAT	Rs. Cr.	0.58	0.92
PAT Margin	(%)	3.08	5.17
Total Debt/Tangible Net Worth	Times	2.68	2.57
PBDIT/Interest	Times	2.24	2.61

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Mar 2022	Packing Credit	Short Term	5.50	ACUITE A4+ (Reaffirmed)
07 Jan 2021	Packing Credit	Short Term	5.50	ACUITE A4+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE A4+ Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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