Press Release
Sristi Garments
August 09, 2024
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

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

Rationale for reaffirmation:

The rating reaffirmation considers the established track record of operations and stable scale of operations, albeit with a modest operating income.
The rating, however, remains constrained by its below-average financial risk profile, intensive working capital management, susceptibility to geographic concentration risk, and forex fluctuation risk.

About the Company

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 1,25,000 pieces of readymade garments per day, with the current production of approximately 90000 pieces daily. It has total three units in Tamil Nadu, two of these units are located in Madhavaram, and one in Thiruvotriyur.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 2005 by Ms. P. Kavitha, who has over a decade of experience in the textile industry. Mr. Balakrishna, the Managing Director, looks after the daily business activities. He has more than two decades of experience in the textile industry. The long track record of the management has enabled them to establish a strong relationship with their stakeholders. Acuité believes that SG will continue to benefit from experienced management and an established track record of operations.

- **Stable scale of operations albeit with a modest operating income**

  The firm has reported moderate YOY growth of 17.10 percent in FY2024 (Prov) as compared to FY2023. The revenue of the firm stood at Rs.24.01 Cr. in FY2024 (Prov) as against Rs. 20.50 Cr. in FY2023. The capacity utilization for FY2024 (Prov) was 75–80 percent. The improvement in revenues in FY2024 (Prov) is on account of orders executed on time. The profitability margins of the firm remained satisfactory. The EBITDA margins stood at 9.38 percent in FY2024 (Prov) as against 10.34 percent in FY2023. Acuité believes that the revenues of the firm are expected to remain modest in the near term.

Weaknesses

- **Below-average financial risk profile**

  The firm's below average financial risk profile is marked by low net worth, high gearing, and moderate debt protection metrics. The net worth of the firm stood at Rs.4.88 Cr and Rs.4.48 Cr. as on March 31, 2024 (prov) and 2023, respectively. The gearing of the firm stood at 2.00 times as on March 31, 2024 (prov) against 1.92 times as on March 31, 2023. Debt protection metrics, interest coverage ratio and debt service coverage ratio stood at 2.60 times and 1.23 times as on March 31, 2024 (prov), respectively, as against 2.30 times and 1.34 times as on March 31, 2023, respectively. TOL/TNW stood at 2.69 times and 2.39 times as on March 31, 2024 (Prov) and 2023, respectively. The debt to EBITDA of the firm stood at 4.29 times as on March 31, 2024 (prov) as against 4.02 times as on March 31, 2023. 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 the absence of any significant debt-funded capex plans.

- **Intensive working capital management**

  The working capital management of the firm remained intensive, with GCA days at 156 days as on March 31, 2024 (prov) as against 146 days as on March 31, 2023. Inventory days stood at 52 days as on March 31, 2024 (prov) as against 70 days as on March 31, 2023. The debtors day stood at 52 days as on March 31, 2024 (prov) as against 25 days as on March 31, 2023. Further, the average bank limit utilization in the last six months ended June 24 remained at ~77 percent for fund-based. Acuité believes that the working capital operation of the SG may continue to remain intensive, considering the nature of the industry.

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

  SG's is a 100 percent export-oriented unit, deriving its income from exports to the 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 is susceptible to forex fluctuation risk as 100% of its revenue is generated via exports. The ability of the concern to diversify its consumer base into new geographies will be a key rating that is 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

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.1.40 Cr. through FY2024(Prov) against the repayment obligation of Rs. 0.98 Cr. for the same period. The NCA's are expected to be in the range of Rs.1.58-1.70 Cr. through FY25-26 against the repayment obligation of Rs.1.10-1.01 Cr. for the said period. The current ratio of the firm stood modest at 1.05 times as on March 31, 2024(Prov). The cash and bank balance of the company stood at Rs. 0.36 Cr. as on March 31, 2024(Prov). Further, the average bank limit utilization in the last six months ended June 24 remained at ~77 percent for fund based. Acuité expects that the liquidity of the company is likely to be adequate over the medium term on account of healthy cash accruals.

Outlook
Not Applicable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	24.01	20.50
PAT	Rs. Cr.	0.85	0.82
PAT Margin	(%)	3.52	3.99
Total Debt/Tangible Net Worth	Times	2.00	1.92
PBDIT/Interest	Times	2.60	2.30

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

Not Applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: 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, Acuité 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
15 May 2023	PC/PCFC	Short Term	5.50	ACUITE A4+ (Reaffirmed)
24 Mar 2022	PC/PCFC	Short Term	5.50	ACUITE A4+ (Reaffirmed)
07 Jan 2021	PC/PCFC	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 avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	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.