

Press Release

Iris Clothings Private Limited (ICPL)

March 14, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.13.00 Cr
Long Term Rating	SMERA B+/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.10.00 cr bank facility and assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.3.00 cr bank facility of Iris Clothings Private Limited (ICPL). The outlook is '**Stable**'.

ICPL is engaged in the manufacturing of readymade garments and trading of fabrics since 2011. The company is led by Mr B.D Ladha.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations: The promoters of the company, Ms.Geeta Ladha and Mr.Baldev Das Ladha possess more than two decades of experience in the textile industry.

Weaknesses:

Moderate financial risk profile: The moderate financial risk profile is marked by high gearing, moderate interest coverage and Net Cash Accruals to Total Debt. The gearing is high at 3.05 times as on 31 March, 2016. The interest coverage is moderate at 1.73 times in 2016 compared to 1.64 times in 2015. Moreover, the Net Cash Accruals to Total Debt is at 0.11 times in FY2016 compared to 0.08 times in FY2015.

Modest scale of operations: Despite the two decades of operations, the revenue has still been at a moderate scale of Rs.36.64 cr in FY2016 and Rs.29.96 cr in FY2015.

Working capital intensive operations: The scale of operations continues to be working capital intensive marked by high gross current asset days of 168 in FY2016. This is due to high inventory holding period of more than four months.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that ICPL will continue to maintain a stable outlook and benefit from its experienced management. The outlook may be revised to 'Positive' in case of substantial improvement in the financial risk profile and working capital management. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues and profitability, or registers deterioration in the financial risk profile owing to higher-than-expected working capital requirements/debt funded capex.

About the Rated Entity

ICPL was incorporated in 2011 to take over the existing business of Iris Clothings (a proprietorship concern established in 2005). The company is engaged in the manufacturing of readymade garments and trading of fabrics at its four facilities at Howrah. The company mainly deals in cotton hosiery and knitted fabrics and has an installed capacity of ~45 lakh garments per annum. Plans are on to set up a factory in Panchla, Howrah which is expected to be completed by end of FY2016-17.

For FY2015-16, ICPL reported profit after tax (PAT) of Rs.0.65 cr on total operating income of Rs.36.64 cr, as compared with profit after tax (PAT) of Rs.0.25 cr on total operating income of Rs.29.96 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: ICPL manufactures readymade garments and trades in fabrics. The company reported revenue of Rs.36.64 cr in FY2016, 23 per cent growth from Rs.29.96 cr in FY2015. The production capacity went up from 36 lakh pieces in FY2014 to 43.80 lakh pieces in FY2015 and further to 45 lakh pieces in FY2016. The operating margins decreased marginally to 10.55 per cent in FY2016 from 12.75 per cent in FY2015 due to increase in cost of material with rise in prices of raw material. The net profit margins improved from 0.83 per cent in FY2015 to 1.77 per cent in FY2016.

Rating History for the last three years:

Name of Instrument /Facilities	2017			2017		2016		2015		2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	10.00#	SMERA B+/Stable (Reaffirmed)	31 Jan	SMERA B+/Stable (Reaffirmed)	11 Jan	SMERA B+/Stable (Reaffirmed)	2 Dec	SMERA B+/Stable (Assigned)	-	-
Proposed Cash Credit	-	-	-	-	-	-	-	2 Dec	SMERA B+/Stable (Assigned)	-	-
Term Loan	LT	3.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-	-	-

Enhanced from Rs 7.50 cr to Rs 10.00 cr.

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	10.00#	SMERA B+/Stable (Reaffirmed)
Term loan	N.A	N.A	March 2022	3.00	SMERA B+/Stable(Assigned)

Enhanced from Rs 7.50 cr to Rs 10.00 cr.

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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