

Press Release

IRIS CLOTHINGS PRIVATE LIMITED (ICPL)

10 January, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 17.90 Cr. (Enhanced from Rs.13.00 crore)
Long Term Rating	SMERA BB-/ Outlook: Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating on the Rs.17.90 crore bank facilities of IRIS CLOTHINGS PRIVATE LIMITED (ICPL) to '**SMERA BB-**' (read as **SMERA double B minus**). The outlook is '**Stable**'.

ICPL is engaged in the manufacturing of readymade garments and trading of fabrics since 2011. The West Bengal-based company led by Mr. BD Ladha, sells its products under the brand names Do Re Me, Baby, Oxygen, Yo Kids, Pretty Honey and Vita Ace.

Key Rating Drivers

Strengths

Experienced management: The Directors, Ms.Geeta Ladha and Mr.Baldev Das Ladha possess more than two decades of experience in the textile industry.

Average financial risk profile: The average financial risk profile is marked by moderate net worth, high gearing and comfortable debt protection metrics. The net worth of the company stood moderate at Rs.6.50 crore in FY2017, an increase from Rs.4.82 crore in FY2016 mainly due to retention of profits. The gearing improved from 3.05 times in FY2016 to 2.79 times in FY2017. The Interest Coverage increased to a comfortable 2.96 times in FY2017 compared to 1.87 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood comfortable at 2.52 times in FY2017. Moreover, the NCA/TD stood at a comfortable 0.16 times in FY2017 compared to 0.11 times in FY2016.

Weaknesses

Modest scale of operations: Despite the two decades of operations, the revenue has still been at a moderate Rs.46.83 crore in FY2017 compared to Rs.36.64 crore in FY2016.

Working capital intensive operations: The operations are working capital intensive marked by high gross current asset (GCA) days of 141 in FY2017 and 168 days in FY2016 mainly on account of high inventory days of 75 in FY2017. The company is exposed to the inherent cyclicity in the textile industry.

Analytical approach

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

Applicable Criteria

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

Outlook: Stable

SMERA believes that the company will maintain a Stable outlook over the medium term owing to the experienced promoters and average financial risk profile. The outlook may be revised to 'Positive' if the company achieves the envisaged profitability and maintains its profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability and profitability or if the financial risk profile deteriorates owing to higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.83	36.64	29.96
EBITDA	Rs. Cr.	5.32	3.86	3.82
PAT	Rs. Cr.	1.67	0.65	0.25
EBITDA Margin	(%)	11.35	10.55	12.75
PAT Margin	(%)	3.57	1.77	0.83
ROCE	(%)	19.86	15.29	23.97
Total Debt/Tangible Net Worth	Times	2.79	3.05	4.37
PBDIT/Interest	Times	2.96	1.87	1.69
Total Debt/PBDIT	Times	3.28	3.53	4.63
Gross Current Assets (Days)	Days	141	168	230

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

None

Any other information

None

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
14 Mar 2017	Cash Credit	Long Term	10.00	SMERA B+/Stable (Reaffirmed)
	Term Loan	Long Term	3.00	SMERA B+/Stable (Assigned)
31 Jan, 2017	Cash Credit	Long Term	7.50	SMERA B+/Stable (Reaffirmed)
11 Jan 2016	Cash Credit	Long Term	7.50	SMERA B+/Stable (Reaffirmed)
2 Dec 2014	Cash Credit	Long Term	5.00	SMERA B+/Stable (Assigned)
	Proposed Cash Credit	Long Term	2.50	SMERA B+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	12.00	SMERA BB-/Stable (Upgraded)
Term Loan	N.A	N.A	N.A	5.90	SMERA BB-/Stable (Upgraded)

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