



Press Release
Shree Bharka India Limited
August 08, 2023
Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	1.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	19.00	-	-

Rating Rationale

Acuite has upgraded the long term rating from **ACUITE BB'** (read as **ACUITE double B**) from **'ACUITE BB-'** (read as **ACUITE double B minus**) and reaffirmed the short-term rating of **'ACUITE A4+'** (read as **ACUITE A four plus**) on the Rs.19.00 crore bank facilities of Shree Bharka India Limited. The outlook is **'Stable'**.

Rationale for upgrade

The rating upgrade is majorly on account of improvement in scale of operations marked by revenues to the tune of Rs.102.44 Cr. in FY2023 (Provisional) compared to Rs.78.97 Cr. in FY2022. The improvement is majorly on account of improvement in export orders especially from the Afghanistan region after witnessing severe political issues in last year. The company is also planning capex to the tune of Rs.50.01 Cr. towards installation of 54 new weaving machines which will be funded by term loan from banks and funds from promoters. The rating also factors in the average financial risk profile with moderate network and low gearing levels. The liquidity position of the company remains adequate. These strengths are, however, offset by the working capital intensive nature of operations and profitability remains susceptible towards volatility in raw material prices.

About the Company

Shree Bharka (India) Limited (SBIL) was incorporated in 1995 and is managed by Mr. C.S. Kothari. It is engaged in manufacturing and exporting of suiting and shirting fabrics with an installed capacity of 120 lakhs meters per annum with 113 looms. The company sells its fabrics under the brand name SBI (Shree Bharka India). The company has an integrated facility with in-house sizing, QC, mending a rolling facility and has proximity to the raw materials i.e. yarn and skilled labour.

Analytical Approach

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

Key Rating Drivers

Strengths

Extensive industry experience of the promoters

The company was incorporated in 1995 reflecting more than two decades of establishment in

the textile industry. The operations of the company are managed by its promoters' who have more than two decades of experience in the textile industry. The extensive experience of the promoters has helped the company to established long term relationship with its customers

and suppliers. Acuité derives comfort from the management's strong understanding of market dynamics and the healthy relationships with customers and suppliers, and it believes that this will continue to support the business going forward.

Improvement in scale of operations; Profitability remains at similar levels

The revenue from operations of the company improved to Rs. 102.44 Cr. in FY2023 (Provisional) as compared to Rs. 78.97 Cr. in FY2022. This increase in revenue is on account of an increase in work order execution during the period. The company is also planning capex to the tune of Rs.50.01 Cr. towards installation of 54 new weaving machines which will be funded by term loan from banks and funds from promoters. Going forward, Acuité believes that the revenue of the company will likely increase on account of stability in Afghanistan region after severe political crisis and installation of new machines over the medium term. The operating profitability margin of the company has marginally declined to 8.19 percent in FY2023 (Provisional) as compared to 8.49 percent in the previous year. This decrease in operating profitability is mainly due to an increase in job work expenses during the period. Moreover, the net profitability margin of the company stood almost flat at 6.06 percent in FY2023 (Prov.) as compared to 6.26 percent in the previous year.

Average financial risk profile

The financial risk profile of the company remains average marked by improving net worth, low gearing, and comfortable debt protection metrics. The company's net worth of the company stood at Rs.42.66 Cr as of March 2023 (Provisional) as against Rs. 36.45 Cr as of March 31, 2022 due to accretion of reserves. The gearing of the company remained low at 0.21 times as on March 31, 2023 (Provisional) as against 0.17 times as of March 31, 2022. The total outside liabilities/tangible net worth (TOL/TNW) stood at 0.45 times as of March 31, 2023 (Provisional) as against 0.37 times as of March 31, 2022. The debt protection matrices of the company remain comfortable marked by Interest Coverage Ratio (ICR) of 16.59 times for FY23 (Provisional) and Debt Service Coverage Ratio (DSCR) of 12.94 times during the same period. Acuité believes the financial risk profile of the company's expected to moderate marginally over the medium term on account of the ongoing capex plan.

Weaknesses

Working Capital Intensive nature of operations

The operations of the company are working capital intensive in nature marked by high Gross Current Assets (GCA) of 196 days for FY2023 (Provisional) as compared to 197 days as on FY2022. The high GCA days are majorly on account of high inventory holding period which stood at 86 days for FY2023 (Provisional) as against 92 days for FY2022. However, the receivable period of the company improved to 37 days for FY2023 (Provisional) as against 69 days for FY2022. The creditor days of the company stood at 23 days for FY2023 (Provisional) compared to 20 days for FY2022. The average working capital utilisation of the company stood at 81 percent in last six months ended March 2023. Acuité believes that the management ability to efficient the working capital management will remain a key rating monitorable going ahead.

Susceptibility of profitability to volatility in raw material prices

The operating margin of the company is vulnerable to adverse movement in the price of key raw materials, cotton and polyester yarn. The margin between 4.3-5.3% over the last four fiscals till 2023. Further, with the company deriving majority of its revenue through exports, SBIL is exposed to forex risk as well. The company partially hedges its forex exposure.

Rating Sensitivities

- Improvement in the scale of operations.
- Elongation in working capital cycle.

Material covenants

None

Liquidity Position **Adequate**

The liquidity position of the company is adequate marked by net cash accruals of Rs.6.53 Cr in FY2023 (Provisional) as against no long term debt repayment over the same period. The current ratio stood comfortable at 2.93 times in FY23 (Provisional). The cash and bank balances stood at 2.04 in FY23 (Provisional). The fund based limit utilisation stood at 81 per cent over the six months ended Mar 2023. However, the operations are working capital intensive in nature marked by high Gross Current Assets (GCA) of 196 days for FY2023 (Provisional) as compared to 197 days as on FY2022. Acuité believes that the liquidity profile of the company will continue to remain adequate on account of adequate net cash accruals against debt obligations.

Outlook: Stable

Acuité believes that the society will maintain a 'Stable' outlook over the medium term on account of the established track record of the society and experienced professionals as trustees. The outlook may be revised to 'Positive' if the society achieves substantial improvement in its gearing. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability leading to deterioration in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	102.44	78.97
PAT	Rs. Cr.	6.21	4.94
PAT Margin	(%)	6.06	6.26
Total Debt/Tangible Net Worth	Times	0.21	0.17
PBDIT/Interest	Times	16.59	16.09

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

India Rating vide its press release dated 15th May 2023, had rated the company IND-RA BB+; Issuer Not Cooperating.

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, 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
20 Jul 2022	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	18.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
21 Apr 2021	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	18.00	ACUITE BB (Downgraded and Issuer not co-operating*)
30 Jan 2020	Cash Credit	Long Term	18.00	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.52	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	18.00	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A4+ Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BB Stable Upgraded

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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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