

Press Release

Shaligram and Sons

July 09, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.55 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs. 7.55 crore bank facilities of Shaligram and Sons. The outlook is '**Stable**'.

Shaligram and Sons (SS) was established as a partnership firm in the year 1979 by Mr. Govindram Oza, Mr. JanakOza, Mr. Paresh Oza and Mr. RavishankarOza. SS is currently engaged in manufacturing of grey cloth on job work basis.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced management**

Shaligram and Sons (SS) was established as a partnership firm in the year 1979 by Mr. Govindram Oza, Mr. JanakOza, Mr. Paresh Oza and Mr. RavishankarOza. The partners of the firm have around four decades of experience in the textile industry. Such a long operational track record has enabled the firm to establish relationship with their key customers.

Weaknesses

- **Small scale of operation**

SS has small scale of operations marked by operating income of Rs.3.19 crore in FY2017 as against Rs. 3.10 crore in FY 2016. Further the firm has registered revenue of Rs.4.48 crore till FY18 (provisional).

- **Below average financial risk profile**

The financial risk profile of SS is below average marked by low net worth of Rs. 3.95 crore as on 31 March, 2017 as against Rs. 4.29 times as on 31 March, 2016. Gearing stood moderate at 1.58 times as on 31 March 2017, as against 0.82 times as on 31 March, 2016 on account of low net worth coupled with high debt obligations. As on 31 March 2017, of the total debt of Rs. 6.24 crore, long term loan constitute Rs. 4.88 crore, short term borrowings stood at Rs. 1.36 crore. Interest coverage ratio stood low at 0.98 times for FY2017 as against 1.32 times in FY2016.

Analytical Approach

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

Outlook: Stable

Acuité believes that Outlook for Shaligram and Sons (SS) will remain Stable over medium term backed by their long operational track record. The outlook may be revised to Positive if the firm achieves more than expected revenue while improving its financial risk profile. Conversely, the outlook may be revised to Negative in case of lower than expected revenues or further deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.19	3.10	2.97
EBITDA	Rs. Cr.	0.58	0.57	0.74
PAT	Rs. Cr.	(0.89)	(0.76)	0.33
EBITDA Margin	(%)	18.07	18.35	24.74
PAT Margin	(%)	(27.95)	(24.61)	10.98
ROCE	(%)	(1.90)	(3.73)	14.07
Total Debt/Tangible NetWorth	Times	1.58	0.82	0.27
PBDIT/Interest	Times	0.98	1.32	2.56
Total Debt/PBDIT	Times	8.86	5.24	1.27
Gross Current Assets (Days)	Days	79	83	181

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- FinancialRatiosAndAdjustments-<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Feb-2018	Cash Credit	Long Term	INR 1.44	ACUITE B-
	Term Loan	Long Term	INR 2.18	ACUITE B-
	Proposed LongTerm Loan	Long Term	INR 3.93	ACUITE B-
19-Dec-2016	Cash Credit	Long Term	INR 1.44	ACUITE B- / Stable
	Term Loan	Long Term	INR 2.18	ACUITE B- / Stable
	Proposed LongTerm Loan	Long Term	INR 3.93	ACUITE B- / Stable

*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	Not Applicable	Not Applicable	Not Applicable	1.44	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.84	ACUITE B- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.22	ACUITE B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.05	ACUITE B- / Stable

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About Acuité Ratings & Research:

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