

Press Release

Shaligram And Sons

September 05, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.55 Cr.
Long Term Rating	ACUITE B- /Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs. 7.55 cr 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. Ravishankar Oza. SS is currently engaged in the manufacturing of grey cloth on job work basis.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SS to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoter and established track record of operations**

Shaligram and Sons (SS) was established as a partnership firm in the year 1979 by Mr. Govindram Oza and family. Presently Mr. Govindram Oza, Mr. Janak Oza, Mr. Paresh Oza and Mr. Ravishankar Oza are the partners of the firm. The current partners of the firm have around four decades of experience in the textile industry.

Weaknesses

- **Small scale of operation**

SS has small scale of operations marked by operating income of Rs. 4.01 crore in FY2019 (Provisional) as against Rs.4.49 crore in FY 2018, marking a de-growth of 11 per cent yoy. The fall in revenue is due to sluggish demand and market conditions. The firm has achieved revenues of Rs.2.00 crore till July,2020 (Provisional). Acuité believes that the company's ability to sustain its topline will remain a key rating sensitivity.

- **Below average financial risk profile**

The firm's financial risk profile is average marked by low net worth, modest gearing and low debt protection measures. The net worth of the firm stood low at Rs.3.40 crore as on 31 March, 2019 (Provisional) as against Rs.3.59 crore in the previous year. Acuité has considered unsecured loan from directors of Rs.3.41 crore as quasi-equity. The gearing stood modest at 1.62 times as on 31 March, 2019 (Provisional)as against 1.77 times in the previous year. Total debt of Rs.5.50 crore as on 31 March, 2019(Provisional) consist of Rs.3.96 crore of long term borrowings and short term borrowings of Rs 1.54 crore. However, the debt protection metrics is low marked by interest coverage ratio (ICR) of 0.53 times in FY2019(Provisional) and debt service coverage ratio (DSCR) of 0.53 times as on March 31, 2019(Provisional). Acuité believes that the financial risk profile of the firm is likely to remain below average over the medium term if the losses continue.

Liquidity Profile

The firm's liquidity is stretched marked by low net cash accruals as against its maturing debt obligations. Though the firm has been incurring losses since past two years, the firm has repaid its long term debt obligations of Rs.0.84 crore in FY19 (Provisional) from unsecured loan from directors of Rs.3.41 crore as on March,19. Also, the company's operations are moderately working capital intensive in nature as reflected by its gross current asset (GCA) days of around 71 days as on March 31, 2019 (Provisional). The current ratio of the firm stood low at 0.41 times as on March 31, 2019 (Provisional). Moreover, the cash credit limit remains 95 per cent utilized in the last twelve months ended June,2019. Acuité believes

that the liquidity of the firm is likely to remain stretched over the medium term if the losses continue.

Outlook: Stable

Acuité believes SS will continue to benefit over the medium term from its partner's extensive experience. The outlook may be revised to 'Positive' in case of significant increase in revenue and turnaround in profitability along with improvement in its liquidity position. The outlook may be revised to 'Negative' if there is significant pressure on revenue and profitability, adversely impacting cash accrual, or weakening its financial risk profile.

About the Rated Entity Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	4.01	4.49	3.19
EBITDA	Rs. Cr.	0.26	1.01	0.58
PAT	Rs. Cr.	(1.52)	(1.18)	(0.89)
EBITDA Margin	(%)	6.42	22.49	18.07
PAT Margin	(%)	(37.81)	(26.22)	(27.95)
ROCE	(%)	(7.64)	(2.17)	(1.90)
Total Debt/Tangible Net Worth	Times	1.62	1.77	1.58
PBDIT/Interest	Times	0.53	1.14	0.98
Total Debt/PBDIT	Times	12.89	5.83	8.86
Gross Current Assets (Days)	Days	71	76	79

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

None

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
09- July-2018	Cash Credit	Long Term	1.44	ACUITE B-/ Stable (Reaffirmed)
	Term loan	Long Term	1.84	ACUITE B-/ Stable (Reaffirmed)
	Term loan	Long Term	3.05	ACUITE B-/ Stable (Reaffirmed)
	Proposed Long term Loan	Long Term	1.22	ACUITE B-/ Stable (Reaffirmed)
26-Feb -2018	Cash Credit	Long Term	1.44	ACUITE B-/ Stable (Issuer not co-operating)
	Term loan	Long Term	2.18	ACUITE B-/ Stable (Issuer not co-operating)
	Proposed Long term Loan	Long Term	3.93	ACUITE B-/ Stable (Issuer not co-operating)

19-Dec-2016	Cash Credit	Long Term	1.44	ACUITE B-/ Stable (Assigned)
	Term loan	Long Term	2.18	ACUITE B-/ Stable (Assigned)
	Proposed Long term Loan	Long Term	3.93	ACUITE B-/ Stable (Assigned)

***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 (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.84	ACUITE B- /Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	4.27	ACUITE B- /Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Priyanka Rathi Analyst - Rating Operations Tel: 033-6620-1210 priyanka.rathi@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.