

## Press Release

**S R Overseas Panipat**

December 28, 2018

**Rating Reaffirmed**



<b>Total Bank Facilities Rated*</b>	Rs. 8.76 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-** (read as ACUITE double B minus)' to the Rs.8.76 crore of bank facilities of SR Overseas Panipat (SRO). The outlook is '**Stable**'.

SRO, established in 2014, is a Panipat-based partnership firm engaged in manufacturing of blankets with an installed capacity of 2 lakh blankets per month. The firm is promoted by Mr. Balraj Singh, Mr. Vijender Singh, Mr. Sumit Dahiya and Mr. Rahul having equal profit sharing ratio.

### Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of SRO to arrive at the rating.

### Key Rating Drivers:

#### Strengths

#### Experienced management

The partners possess experience of around a decade in the textile industry. The partners were engaged in the trading of blankets for around six years before venturing into manufacturing.

#### Weaknesses

#### Moderate scale of operations and continuous dip in operating margins

The scale of operations stood moderate at Rs.28.47 crore in FY2018 as compared to Rs.20.31 crore in FY2017. The company has booked Rs.20.15 crore till end of November'18 (prov). The operating profitability margin has dip continuously from 9.90 per cent in FY2017 to 6.57 per cent in FY2018, mainly on account of increase in raw material cost, without corresponding increase in sales value.

#### Average financial risk profile

SRO's average financial risk profile is marked by low net worth of Rs.4.73 crore in FY2018 as it declined from Rs.6.98 crore in FY2017, mainly on account of withdrawal of capital by the partners. The gearing of the company stood moderate at 1.35 times in FY2018 as its increased from 1.14 times in FY2017, this deterioration in gearing is due to decrease in net worth. The total debt of Rs.6.40 crore consists of short term debt of Rs.3.68 crore and long term debt of Rs.2.71 crore. The interest coverage ratio (ICR) of the company stood comfortable at 2.31 times in FY2018 as compared to 2.11 times in the previous year. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.38 times in FY2018 as compared to 1.31 times in previous year. The net cash accrual to total debt stood comfortable at 0.17 times in FY2018 as compared to 0.13 times in the previous year. Going forward, the financial risk profile is expected to improve as the company has no debt funded capex plans.

#### Outlook: Stable

Acuité believes that SRO will maintain a 'Stable' outlook over the medium term owing to its partners' extensive experience. The outlook may be revised to 'Positive' if the firm registers more than expected revenue and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue and profitability or the financial risk profile deteriorates further.

#### **About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	28.47	20.31	24.87
EBITDA	Rs. Cr.	1.87	2.01	2.60
PAT	Rs. Cr.	0.15	0.05	0.14
EBITDA Margin	(%)	6.57	9.90	10.44
PAT Margin	(%)	0.53	0.27	0.57
ROCE	(%)	7.42	7.49	13.16
Total Debt/Tangible Net Worth	Times	1.35	1.14	1.42
PBDIT/Interest	Times	2.31	2.11	1.98
Total Debt/PBDIT	Times	3.38	3.93	2.74
Gross Current Assets (Days)	Days	74	165	77

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

None

#### **Any other information**

None

#### **Applicable Criteria**

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

#### **Note on complexity levels of the rated instrument**

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

#### **Rating History (Upto last three years)**

Not Available

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Sep-2018	Cash Credit	Long Term	4.90	ACUITE BB-/Stable (Indicative)
	Term Loan	Long Term	3.30	ACUITE BB-/Stable (Indicative)
	Proposed Long Term	Long Term	0.56	ACUITE BB-/Stable (Indicative)
13-Jul- 2017	Cash Credit	Long Term	4.90	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	3.30	ACUITE BB-/Stable (Assigned)
	Proposed Long Term	Long Term	0.56	ACUITE BB-/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	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE BB-/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.30	ACUITE BB-/ Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.56	ACUITE BB-/ Stable (Reaffirmed)

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**About Acuité Ratings & Research:**

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