

Press Release

12 December, 2017



SRI RANGA TEXTILES PRIVATE LIMITED (SRTPL)

Rating Assigned

Total Bank Facilities Rated *	Rs. 7.78 cr
Long Term Rating	SMERA BB-/ Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.7.78 crore bank facilities of Sri Ranga Textiles Private Limited (SRTPL). The outlook is '**Stable**'.

Sri Ranga Textiles Private Limited (SRTPL) is a Coimbatore -based company incorporated in 1980 by Mr. Silesh Ethirajulu, Mr. Ranga Rao Ethirajulu and Ms. Ramalakshmi Ethirajulu. SRTPL is engaged in the manufacture of cotton yarn of count ranging from 100 to 120 mainly used in the manufacture of shirts and sarees. The company has ~25000 spindles with installed capacity of 45,000 kg yarn per month.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

SRTPL, incorporated in 1980 is a Coimbatore-based company engaged in the manufacture of cotton yarn. The promoters, Mr. Silesh Ethirajulu, Mr. Ranga Rao Ethirajulu and Ms. Ramalakshmi Ethirajulu have more than three decades of experience in the aforementioned business. This has helped build long term relations with customers and suppliers.

Above average financial risk profile

SRTPL has networth of Rs.7.26 crore as on 31 March, 2017 (Provisional) against Rs.6.72 crore as on 31 March, 2016. The gearing stood at 0.86 times as on 31 March, 2017 (Provisional) as against 1.20 times in the previous year. The total debt of Rs.6.22 crore mainly comprises working capital borrowings of Rs.4.69 crore and term loan of Rs.1.53 crore as on 31 March, 2017 (Provisional). The Interest coverage ratio (ICR) stood at 2.57 times and DSCR at 1.75 times for FY2017 (Provisional) against ICR of 2.49 times and DSCR of 1.65 times for FY2016. Further, SMERA believes that SRTPL has low dependence on debt funded capital structure due to which gearing and coverage indicators are expected to improve going forward.

Weaknesses

Moderate scale of operations

SRTPL has moderate scale of operations marked by operating income of Rs.23.04 crore for FY2017 (Provisional) against Rs.17.31 crore for FY2016 and Rs.17.05 crore for FY2015. However, the company has expanded capacity by adding ~1350 spindles. As a result, operating income is expected to grow by about 10.00 to 15.00 percent but will continue to remain at a moderate level.

Working capital intensive operations

SRTPL has Gross current assets (GCA) of 122 days for FY2017 (Provisional) against 178 days for FY2016. This is mainly on account of inventory days of 80 and debtor days of 42 for FY2017. The working capital cycle (WCC) days stood at 120 for FY2017 (Provisional) and 167 for FY2016. However, the utilisation of working capital limits stood at ~70.00 percent for the last six months till August 2017.

Highly competitive and fragmented industry

SRTPL operates in the highly competitive textile industry with several organised and unorganised players limiting the bargaining power of the company.

Analytical Approach

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

Outlook: Stable

SMERA believes that SRTPL will continue to maintain a stable outlook over the medium term on account of the established presence of the company in the textile industry and its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or working capital management.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.49 crore on operating income of Rs. 23.04 crore, as against net loss of Rs.0.34 crore on operating income of Rs.17.31 crore in FY2015-16. The net worth as on 31 March, 2017 stood at Rs.7.26 crore compared to Rs.6.72 crore as on 31 March, 2016.

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

CARE has been seeking information from Sri Ranga Textiles Private Limited (SRTP) to monitor the ratings vide e-mail communications/ letters dated November 14, 2016, February 20, 2017, April 12, 2017, April 17, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on Sri Ranga Textiles Private Limited's bank facilities and will now be denoted as CARE BB; ISSUER NOT COOPERATING*.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

Not Applicable

*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	6.00	SMERA BB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.48	SMERA BB- / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A4+

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Pranali Salgaonkar Rating Analyst Tel: 022-67141127 Email: pranali.salgaonkar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.