

Press Release

Shree Rayon Private Limited

May 02, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 16.86 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 16.86 crore bank facilities of Shree Rayon Private Limited (SRPL). The outlook is '**Stable**'.

Maharashtra based, SRPL was incorporated in 1999 by Mr. Bharat Mehta and Mr. Girish Mehta. The company is into manufacturing of finished cloth, i.e Polyester viscose and Poly Wool used for suiting purpose. SRPL has its manufacturing facilities at Tarapur (Maharashtra) with capacities of 27 lakh meters per annum and is in the process of expanding its capacity to 40 lakh meters per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management with long track record of operations**

The promoters of the company, Mr. Bharat Mehta and Mr. Girish Mehta have been working in the textile industry from the past 25-30 years and are highly experienced and well versed in understanding the demand supply trends of the textile industry. SRPL was incorporated in 1999 and is operating the textile business for the past two decades and has been able to build a strong reputation and brand in the industry over the years.

- **Reputed clientele and strong relationship with suppliers**

SRPL deals with reputed clients in the textile industry including Raymond Limited, Arvind Limited and several others from past 15-17 years. This partly leads to a reduced demand risk as Shree Rayon deals with large players in the industry that has huge requirements for the grey cloth all-round the year. The company procures all its raw materials from local suppliers only. The long term relationship of 18-20 years with the suppliers has helped time and again to bargain and get good quality supply along with competitive prices on regular basis. This strong support from the suppliers has helped the company grow significantly and create a strong base in the industry over the years.

- **Healthy financial profile**

The company has moderate financial risk profile marked by tangible net worth of Rs.25.79 crore as on 31 March, 2018 as against Rs.23.45 crore as on 31 March, 2017. Net worth includes Rs.10.22 crore of unsecured loans from Directors, which has been subordinated to the bank debt and has been treated as quasi equity by Acuité. The gearing stood comfortable at 0.52 times as on 31 March, 2018 as against 0.55 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood modest at 0.80 times as on 31 March, 2018 as against 0.89 times as on 31 March, 2017. The total debt of Rs.13.45 crore consist of term loan outstanding to the tune of Rs.3.32 crore, short term debt of Rs.9.05 crore and current maturities of long term debt (CPLTD) of Rs.1.08 crore and unsecured loans from Directors that is treated as debt of Rs. 0.01 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood healthy at 2.31 times in FY2018 as against 2.38 times in FY2017. Debt Service Coverage Ratio (DSCR) stood moderate at 1.61 times in FY2018 as against 1.95 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.28 times as on 31 March, 2018 as against 0.22 times as on 31 March, 2017.

Weaknesses

- **Highly fragmented industry with intense competition**

The company has a presence in highly fragmented and competitive textile industry, thus limiting its bargaining power in terms of pricing and credit terms with customers. Moreover, the textile industry is highly vulnerable to fluctuation in the global market and several other factors.

Liquidity Position:

SRPL's liquidity profile is comfortable marked by healthy net cash accruals as against its maturing debt obligations. The company generated cash accruals of Rs.2.47-3.75 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.16-1.08 crore over the same period. The company maintains unencumbered cash and bank balances of Rs.0.27 crore as on March 31, 2018. The current ratio of the company stood modest at 1.39 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual against its maturing long term debt repayments.

Outlook: Stable

Acuite believes that SRPL will maintain a 'Stable' outlook over the medium term owing to its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	83.60	63.17	80.63
EBITDA	Rs. Cr.	7.59	6.03	5.73
PAT	Rs. Cr.	2.34	1.57	1.52
EBITDA Margin	(%)	9.07	9.54	7.11
PAT Margin	(%)	2.80	2.49	1.88
ROCE	(%)	17.81	14.10	15.43
Total Debt/Tangible Net Worth	Times	0.52	0.55	0.61
PBDIT/Interest	Times	2.31	2.38	2.30
Total Debt/PBDIT	Times	1.62	2.04	2.15
Gross Current Assets (Days)	Days	94	134	135

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Feb-2018	Term Loan	Long Term	4.86	ACUITE BBB-/ Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB-/ 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
Term loans	Not Applicable	Not Applicable	Not Applicable	4.86	ACUITE BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB-/ 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>Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuite Ratings & Research:

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