



Press Release
Shree Rayon Private Limited
June 24, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.29	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	2.57	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	16.86	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) and its short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the bank facilities of Rs.16.86 crore of Shree Rayon Private Limited (SRPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation factors in the stable operating performance of the company marked by stable operating income, marginal decline in the operating margin and moderate financial risk profile of the company. The revenue of the company stood at Rs.83.83 crore in FY2024(Prov.) compared to revenue of Rs.84.80 crore in FY2023 . The revenue of the company saw minuscule dip in FY2024(Prov.). The ratings are constrained by working capital intensive nature of operations and foreign exchange fluctuation risk. Going forward SRPL's ability to restrict further elongation in working capital cycle and improve its scale of operations will remain key rating sensitivity factor.

About the Company

Maharashtra based, SRPL was incorporated in 1999 by Mr. Bharat Mehta and Mr. Girish Mehta. The company is into manufacturing of finished cloth, which includes Polyester viscose and Poly wool used for Suiting purpose. SRPL has its manufacturing facilities at Boisar (Maharashtra) with capacities of 47.52 lakh meters per annum.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Extensive experience of management and established track record of operations

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. The experience of the promoters has enabled the company to maintain long and healthy relationships with its customers and suppliers. The promoters of the company, Mr. Girish Mehta and Mr. Bharat Mehta have been working in the textile industry for over two decades and

have experience in understanding the demand supply trends of the textile industry. This has also helped SRPL to establish long relationship with reputed clients in the industry which includes names like Raymond Limited, Reid & Taylor and Arvind Limited for more than 15 years. Acuité believes SRPL will continue to benefit over the medium term from its longstanding association with its key customers as well as suppliers.

Moderate financial risk profile

The company has a moderate financial risk profile marked by moderate network, low gearing and comfortable debt protection metrics. The company has a moderate financial risk profile marked by tangible net worth of Rs.39.44 crore as on 31 March 2024(Prov.) against Rs.33.41 crore as on 31 March 2023. The gearing level of the company stood at 0.54 times as on 31 March 2024(Prov.) against 0.62 times as on 31 March 2023. The total debt of the company stood at Rs.21.46 crore as on 31 March 2024(Prov.). It comprised of long-term debt of Rs.2.67 crore, unsecured loan of Rs. 6.59 crore and short-term debt of Rs.12.18 crore as on 31 March 2024(Prov.). The coverage ratios of the company stood moderate with Interest Coverage Ratio (ICR) of 5.36 times for FY2024(Prov.) against 4.44 times for FY2023. The Debt Service Coverage Ratio (DSCR) stood at 2.75 times for FY2024(Prov.) against 2.79 times for FY2023. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.71 times for FY2024(Prov.) as against 0.80 times in FY2023. Acuité expects SRPL's financial risk profile to remain moderate in medium term.

Weaknesses

Working capital intensive operations

The company's operations are working capital intensive as evident from Gross Current Asset (GCA) of 174 days as on March 31, 2024(Prov), against 112 days as on March 31, 2023. The inventory levels stood at 74 days for FY24(Prov) against 62 days for FY23. Further, debtor days stood at 66 days as on March 31, 2024(Prov.) against 32 days as on March 31, 2023. The creditor days of the company stood at 27 days as on March 31, 2024(Prov.) against 21 days as on March 31, 2023. The company majorly does advance payments to the suppliers to get the yarns at a discounted rate. The average bank utilization of the company remains low at ~36.51 percent in last six months ended May' 2024. Acuité believes that SRPL's improvement in working capital management will remain key monitorable in medium term.

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.

Foreign exchange fluctuation risk

The company deals in exports to various countries across the globe which contributes around ~30-40 per cent to the total revenues in FY2024(Prov.). As a result, the company's business is exposed to fluctuations in foreign exchange rates.

Rating Sensitivities

- Improvement in scale of operations while maintaining profitability
- Any stretch in the working capital cycle leading to an increase in reliance on working capital borrowings

Liquidity Position

Adequate

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.7.96 crore in FY24(Prov.) compared against maturing debt obligation of Rs.1.44 crore over the same period. The company maintains unencumbered cash and bank balances of Rs.0.29 crore as on March 31, 2024(Prov.) against 0.06 as on March 31, 2023. The current ratio stood at 2.42 times as on March 31, 2024(Prov.) against 2.92 times as on March 31, 2023. The average bank

utilization of the company remains low at ~36.51 percent in last six months ended May' 2024.

Outlook: Stable

Acuité believes that SRPL will maintain a 'Stable' outlook in the near to medium term on account of its experienced management, established track record of operations and established relations with clients. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues, while maintaining profitability. The outlook may be revised to 'Negative' in case the company registers substantial decline in revenues or profitability margins adversely affecting its financial or liquidity profile

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	83.83	84.80
PAT	Rs. Cr.	6.03	5.92
PAT Margin	(%)	7.19	6.98
Total Debt/Tangible Net Worth	Times	0.54	0.62
PBDIT/Interest	Times	5.36	4.44

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Mar 2023	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.32	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.04	ACUITE BBB- Stable (Reaffirmed)
	Buyers Credit	Short Term	2.50	ACUITE A3 (Reaffirmed)
17 Feb 2022	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.86	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Buyers Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.57	ACUITE A3 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.29	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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