

Press Release

IRIS Clothings Limited (Erstwhile IRIS Clothings Private Limited)

December 29, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 17.90Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE BB-)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 17.90 crore bank facilities of Iris Clothings Limited (Erstwhile Iris Clothings Private Limited). The outlook is '**Stable**'.

IRIS Clothings Limited (ICL) based West Bengal was incorporated in 2011 to take over the business of the running concern 'Iris Clothings' (proprietorship concern established in 2005). The company has recently listed itself on National Stock exchange (NSE) on August 2018 and constitution was changed to public limited company. The company is engaged in manufacturing of readymade garments and trading of fabrics. The company owns its own brand 'DoReMe' which caters to the Kids and has manufacturing facilities located at Howrah, West Bengal. The company also has other brands like Baby, Oxygen, Yo Kids, Pretty Honey and Vita Ace. The company can manufacture 30,000 pieces per day.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ICL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management**

The key promoters, Ms. Geeta Ladha and Mr. Baldev Ladha have more than two decades of experience in textile readymade garment industry. The management is also well supported by second line of key management person. The extensive experience of promoters has helped in establishing the brand name and creates market for their products.

- Well established distribution network**

The company has an active distribution network of over 60 distributors across cities and states with reach to more than 4,000 retailers. The widespread distribution network benefits the company by providing geographical presence in terms of coverage and leverages marketing of the products.

Weaknesses

- Moderate scale of operations**

ICL has its presence since more than two decades in readymade garments and textile industry. However, the operations of the company remained moderate marked by operating income of Rs.52.94 crore for FY2018 and Rs.46.69 crores for FY2017. The company has booked revenue of Rs.42.82 crore till mid of December 2018. Acuite believes that scaling up of operations and sustaining existing margins will remain key rating sensitivity factors.

• Working capital intensive nature of operation

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 155 days which has increased from 142 days in FY2017. The high GCA days are mainly on account of high inventory and debtor days of 92 and 73 in FY2018. The company is exposed to the inherent cyclical nature in the textile industry. The working capital utilisation of limits stood at 85.00 percent for last six months ending November 2018.

Outlook: Stable

Acuite believes that ICL will maintain a 'Stable' outlook over the medium term owing to the experienced promoters. The outlook may be revised to 'Positive' if the company achieves the envisaged revenue, profitability and sustains its profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability and profitability or if the financial risk profile deteriorates owing to higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	52.94	46.69	36.64
EBITDA	Rs. Cr.	9.00	5.32	3.86
PAT	Rs. Cr.	3.31	1.67	0.65
EBITDA Margin	(%)	17.00	11.40	10.55
PAT Margin	(%)	6.25	3.58	1.77
ROCE	(%)	25.33	19.85	32.87
Total Debt/Tangible Net Worth	Times	2.20	2.78	3.05
PBDIT/Interest	Times	3.63	2.96	1.87
Total Debt/PBDIT	Times	2.45	3.28	3.53
Gross Current Assets (Days)	Days	155	142	168

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

Not Applicable

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. Crore)	Ratings/Outlook
10-Jan-2018	Cash Credit	Long Term	12.00	ACUITE BB- / Stable (Upgraded)
	Term Loan	Long Term	5.90	ACUITE BB- / Stable (Upgraded)
14-Mar-2017	Cash Credit	Long Term	10.00	ACUITE B+ / Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE B+ / Stable (Assigned)
31-Jan-2017	Cash Credit	Long Term	7.50	ACUITE B+ / Stable

				(Reaffirmed)
11-Jan-2016	Cash Credit	Long Term	7.50	ACUITE B+ / Stable (Reaffirmed)

***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	12.50	ACUITE BB / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.40	ACUITE BB / Stable (Upgraded)

Contacts

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About Acuité Ratings & Research:

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