

Press Release

IRIS Clothings Limited(Erstwhile IRIS Clothings Private Limited)

February 19, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 26.28 Cr.
Long Term Rating	ACUITE BB (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.26.28 crore of bank facilities of IRIS Clothings Limited (ICL).

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

IRIS Clothings Limited (ICL) was incorporated in 2011 to take over the business of the running concern 'Iris Clothings' (proprietorship concern established in 2005). The company has listed itself on National Stock exchange (NSE) in August 2018 and constitution was changed to public limited company. The company is engaged in manufacturing of kidswear with the installed capacity of 35,000 pieces per month. The company markets its products under the brand of 'DoReMe' and has manufacturing facilities located at Howrah, West Bengal.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of ICL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management

The key promoters, Mr. Santosh Ladha, 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.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.32.11 crore in FY2020 as compared to Rs. 28.56 crore in FY2019. The improvement in networth is mainly due to retention of current year profit. The gearing of the company stood low at 0.83 times as on March 31, 2020 when compared to 0.74 times as on March 31, 2019. The total debt of Rs 26.54 crore in FY2020 comprises mainly of short term loan of Rs. 20.24 crore and long term loan of Rs.6.29 crore. Interest coverage ratio (ICR) of the company stood healthy at 4.24 times in FY2020 as against 6.01 times in FY 2019. The debt service coverage ratio (DSCR) of the company also stood healthy at 2.80 times in FY2020 as compared to 2.95 times in previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.34 times in FY2020 as compared to 0.35 times in the previous year.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the group is marked by high gross current asset (GCA) days of 266 days in FY2020 as compared to 201 days in the previous year. The inventory holding period of the group stood high at 238 days in FY2020 as compared to 167 days in the previous year. This high inventory is due to inventory pile up of finished goods during the year end, which coincided with the nation-wide lockdown. The debtor days of the group stood moderate at 69 days in FY2020 as compared to 56 days in the previous year.

Moderate scale of operation

The revenue of the company stood moderate at Rs.60.77 crore in FY 2020 as compared to Rs.62.06 crore in

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the previous year. The company has booked Rs.30.34 crore till 30th September 2020 (Provisional).

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by healthy net cash accruals of Rs.8.95 crore as against Rs.1.65 crore long term debt obligations in FY2020. The bank limit of the company has been ~76 per cent utilized during the last six months ended January 2021. The company's operations are working capital intensive marked by Gross Current Asset (GCA) days of 266 in FY2020 as compared to 201 days in the previous year. The current ratio of the company stood moderate at 1.24 times in FY2020. Moreover, the company has neither applied COVID emergency fund nor availed the loan moratorium on their CC facility till the end of August 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	60.77	62.06
PAT	Rs. Cr.	3.94	5.02
PAT Margin	(%)	6.48	8.09
Total Debt/Tangible Net Worth	Times	0.83	0.74
PBDIT/Interest	Times	4.24	6.01

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

None

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>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
27-Nov-2019	Cash Credit	Long Term	12.00	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	4.28	ACUITE BB/Stable (Reaffirmed)
	Cash Credit	Long Term	8.70	ACUITE BB/Stable (Assigned)
	Proposed Cash Credit	Long Term	1.30	ACUITE BB/Stable (Assigned)
29-Dec-2018	Cash Credit	Long Term	12.50	ACUITE BB/Stable (Upgraded)

	Term Loan	Long Term	5.40	ACUITE BB/Stable (Upgraded)
10-Jan-2018	Cash Credit	Long Term	12.00	ACUITE BB-/Stable (Upgraded)
	Term Loan	Long Term	5.90	ACUITE BB-/Stable (Upgraded)

***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	21.00	ACUITE BB (Withdrawn)
Term Loan	Mar 2016	9.40%	Mar 2023	4.28	ACUITE BB (Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB (Withdrawn)

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About Acuité Ratings & Research:

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