

Press Release

Shri Mahabir Dyeing And Printing Mills Private Limited



D-U-N-S® Number: 87-179-9544

June 18, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 30.00 crore bank facilities of SHRI MAHABIR DYEING AND PRINTING MILLS PRIVATE LIMITED (SMDP). The outlook is '**Stable**'.

Incorporated in 1982, SMDP is engaged in sale of cotton textile products such as printed sarees, dress materials and blouse pieces. The day to day operations are managed by its Directors, Mr. Subhash Ganeriwal, Mr. Ankit Ganeriwal and Mr. Naresh Agarwal. The manufacturing facility is located at MIDC Industrial Area in Dombivali (Maharashtra). The production capacity is about 1.00 lac meter per day.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SMDP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

SMDP commenced operations from 1982. The company is promoted by its managing director, Mr. Subhash Ganeriwal, Mr. Ankit Ganeriwal and Mr. Naresh Agarwal who has experience of more than three decades in textile industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that SMDP will continue to benefit from its experienced management and established relationships with customers and suppliers.

Weaknesses

- **Modest scale of operations and stable profitability**

The company has reported decline in revenue with compounded annual growth rate (CAGR) of around 14.00 percent through the last three years ended 31 March, 2018. The company reported moderate revenue growth of ~10 percent with operating income of Rs.67.42 crore in FY2018 as against operating income of Rs.61.06 crore in FY2017. The operating margins of the company increased to 7.34 percent in FY2018 from 6.50 percent in FY2017.

- **Intensive working capital operations**

SMDP has intensive working capital operations marked by high Gross Current Assets (GCA) of 292 days in FY2018 as against 234 days in FY2017. The inventory and debtor levels stood at 188 and 133 days in FY2018 as against 119 and 136 days in FY2017, respectively. As a result, the working capital facility is fully utilised for the last six months ending March 2019.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth and moderate debt protection measures and high gearing. The net worth of the company is moderate at Rs.22.13 crore as on 31 March, 2018 as against Rs.21.22 crore as on 31 March, 2017. The gearing of the company has stood high at 1.63 times as on March 31, 2018 as against 1.02 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.73 times as on 31 March, 2018 as against 1.16 times

as on 31 March, 2017. The modest revenue levels coupled with fluctuating operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) stood at 1.53 times in FY2018 as against 1.77 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on 31 March, 2018 as against 0.06 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.38 times for FY2018 as against 1.56 times in FY2017.

Liquidity position

SMDP has adequate liquidity marked by high net cash accruals to its maturing debt obligations. However, it is on declining trend marked by Rs.1.73 crore in FY2016, Rs.1.30 crore in FY2017 and Rs.1.29 crore in FY2018 while its maturing debt obligations were around Rs.0.03 crore over the same period. The cash accruals of the company are estimated to remain around Rs.1.10 to 1.57 crore during 2019-21. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 292 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the company remains fully utilized during the last 6 months period ended March 2019. The company maintains unencumbered cash and bank balances of Rs.0.22 crore as on March 31, 2018. The current ratio of the company stands at 1.74 times as on March 31, 2018.

Outlook: Stable

Acuité believes that SMDP will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in SMDP's operating income or profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	67.42	61.06	91.90
EBITDA	Rs. Cr.	4.95	3.97	6.75
PAT	Rs. Cr.	0.91	0.88	1.26
EBITDA Margin	(%)	7.34	6.50	7.35
PAT Margin	(%)	1.35	1.45	1.37
ROCE	(%)	9.31	8.05	27.06
Total Debt/Tangible Net Worth	Times	1.63	1.02	1.31
PBDIT/Interest	Times	1.53	1.77	1.52
Total Debt/PBDIT	Times	7.11	5.39	3.91
Gross Current Assets (Days)	Days	292	234	167

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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