



Press Release
SINDH GARMENTS
May 30, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.77	ACUITE C Downgraded	-
Bank Loan Ratings	29.23	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	42.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**Acuite D (read as Acuite D)**' from '**ACUITE BBB-' (read as Acuite triple B minus)**' on the Rs. 29.23 Cr. bank facilities and downgraded its long-term rating to '**Acuite C (read as Acuite C)**' from '**ACUITE BBB-' (read as Acuite triple B minus)**' on the Rs.12.77 Cr. bank facilities of Sindh Garments. The rating downgrade is on the account of written feedback received from one of the lender's intimating about the account being categorised as SMA2 and recent delays and overdrawn in the account.

Rationale for Rating Downgrade

The firm's rating has been downgraded on account of recent delays and overdrawn in the account as confirmed by one of its lenders via a written communication.

About the Company

Sindh Garments (SG), established in 2000 by Mr. Premchand Hirwani and Mr. Sanjay Hirwani is based out of Nagpur, Maharashtra. It is primarily engaged in wholesale trading of readymade garments. Although the firm was established in 2000, the Hirwani family has been engaged in this business for the last 50 years.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Sindh Garments (SG) for arriving at the rating.

Key Rating Drivers

Strengths

Family lineage in the business coupled with long track of operations.

Constituted in 2000, SG is managed by its partners MR. Premchand Hirwani and MR.Sanjay Hirwani. Though established in 2000, the Hirwani family has been engaged in the wholesale trading of readymade garment for the last 50 years. Mr. Premchand has over two decades of experience in RMG trading business and is well supported by second generation. Mr. Sanjay, son of Mr. Premchand, has an overall experience of over a decade and is involved in the day-to-day operations of the firm. Over the years, the firm has developed strong relationship with clients who are spread across various states such as Maharashtra, Madhya Pradesh, Chhattisgarh Andhra Pradesh and Telangana.

Moderate Financial Risk Profile

Sindh Garments financial risk profile is moderate, marked by moderate net worth, gearing, and debt protection metrics.

The firm's net worth stood at Rs.53.23 crore as of March 31, 2024(Prov) as against Rs.57.58 crore in the previous year. The net worth includes unsecured loans of Rs. 21.20 crore, which are subordinated to other loans; an undertaking for the same has been given to the banker.

The total debt of the firm as of March 31, 2024(Prov), stood at Rs.45.92 crore which comprises Rs. 7.47 crore in long-term loans and Rs. 33.97 crore in short-term debt and Rs.4.49 crore USL.

The firm's gearing ratio stood stable at 0.86 times as of Marh 31, 2024(Prov) as against 0.82 times in the previous year. Going ahead, gearing is expected to improve as no additional long-term debt has been planned.

TOL/TNW stood at 1.26 times in FY2024(Prov) against 1.10 times in FY2023.

The interest coverage ratio stood at 2.00 times in FY2024(Prov) as against 2.14 times in FY2023 and 4.56 times in FY2022. DSCR stood at 1.62 times in FY2024(Prov) against 1.23 times in FY2023.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the firm are intensive in nature as reflected by high GCA days of 333 days in FY2024(Prov) against 329 days in FY2023. The GCA days are driven by high but improving inventory days of 95 days in FY2024(Prov) against 118 days in FY2023. The inventory consists of ready-made garments stock. The receivable days stood at 157 days in FY2024(Prov) against 123 days in FY2023. The increase in receivables days is on account of higher sales during Q4FY2024(Prov) as compared to corresponding quarter in the previous year. Going ahead, receivable days are expected to improve over medium term. Due to high inventory levels and lenient receivable terms with customers, the firm's working capital bank limits remained highly utilised at an average ~96.9 percent through last 12 months ending March 2024. Acuite believes that the operations of SG would improve but will remain working capital intensive in nature on account of high inventory holding and lenient credit terms provided to customers.

Risks of withdrawal of capital associated with partnership nature of business.

SG has been operating as a partnership concern since its inception and therefore, any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure.

Competitive and fragmented industry

The firm functions in a highly fragmented industry with the presence of a large number of players which eventually limits its bargaining power with customers.

Rating Sensitivities

Timely servicing of debt repayment obligations.

Liquidity Position

Stretched

SG's liquidity is stretched, as there have been instances of delay in honouring the debt repayment obligations in recent months and account categorisation as SMA2 as confirmed by one of the lenders.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	129.56	130.57
PAT	Rs. Cr.	4.34	4.29
PAT Margin	(%)	3.35	3.28
Total Debt/Tangible Net Worth	Times	0.86	0.82
PBDIT/Interest	Times	2.00	2.14

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
03 Mar 2023	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Proposed Long Term Bank Facility	Long Term	10.54	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Working Capital Term Loan	Long Term	3.30	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Working Capital Term Loan	Long Term	3.16	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
15 Mar 2022	Cash Credit	Long Term	22.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	0.10	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	7.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	4.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	5.70	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Working Capital Term Loan	Long Term	2.20	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)

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.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE D Downgraded (from ACUITE BBB-)
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE C Downgraded (from ACUITE BBB-)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.27	ACUITE C Downgraded (from ACUITE BBB-)
Punjab National Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2024	Simple	3.18	ACUITE D Downgraded (from ACUITE BBB-)
Punjab National Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Apr 2027	Simple	1.05	ACUITE D Downgraded (from ACUITE BBB-)

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About Acuité Ratings & Research

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