

Press Release

Shetrunjay Dyeing And Weaving Mills Limited

July 20, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.150.00 crore bank facilities of SHETRUNJAY DYEING AND WEAVING MILLS LIMITED. The outlook is '**Stable**'.

About the Company

Shetrunjay Dyeing and Weaving Mills Limited Incorporated in 2010. It is Mumbai based company involved in the Textile manufacturing. Presently the company is engaged in the manufacturing high-quality grey and finished fabrics (cotton) for menswear & kids-wear suiting & shirting and supplies 100% dyed yarn fabric, solids and prints as per requirements of customers. Current Board Members & Directors Are Mr. Jimesh Bhawarlal Jain, Mr. Bhanwarlal Motilal Jain, Mr. Anil Bhanwarlal Jain, Mr. Brijesh Kumar Soni Mr. Hitesh Gupta, and Mr. Pankaj Prajapati.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Shetrunjay Dyeing and Weaving Mills Limited. to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management

The Directors of the company Mr. Anil Jain and Mr. Jimesh Jain has vast experience in the aforementioned line of business. Their experience into this line of business would help the company to flourish. Acuite believes that Shetrunjay Dyeing and Weaving Mills Limited. will continue to benefit from its operations and excellence.

Improvement in Revenue and Profitability

The company's operating revenue is on an uptrend. Where the revenue has increased from Rs.91.43 Cr. in FY2021(audited) to RS.121.84 in FY2022(provisional) due to increase in the cost of

raw material. The PAT margins has also improved from 1.69% in FY2021 (audited) to 3.66% in FY2022 (provisional).

Financial Risk Profile

The financial risk profile of Shetrunjay Dyeing and weaving Mills Ltd. remained moderate. The Net Worth of the company stood at Rs.45.11 Cr. in FY2021 (audited) and Rs.50.95 Cr. in FY2022(provisional). The Debt-Equity Ratio deteriorated from 0.81 In FY2021 (audited) to 2.23 in FY2022(provisional) due to the company undertaking a CAPEX of Rs. 94.22 cr., which resulted into increase in long-term debt. Interest coverage ratio improved and stood at 3.18 times in FY2022(provisional) against 2.42 times in FY2021 (audited). Further, debt service Coverage Ratio also improved from 0.91 in FY2021 (audited) to 1.04 in FY2022(provisional). Acuite expects that the debt coverage profile of the company will improve on the back of improved turnover and margins in the medium term.

Weaknesses

Working capital Management

Although the working capital management of the company has improved in FY2022 (Provisional) but the operations of the company remains working capital intensive as evident from gross current assets (GCA) of 234 days for FY2022(provisional) as against 289 days for FY21 (audited). Improvement in GCA days is attributable to the dip in debtor days and inventory holding period. Debtor days have stabilized to pre-pandemic levels from 164 days in FY2021 (audited) to 108 days in FY2022(provisional). The stretch in debtor collection period in FY2021 (audited) was the result of disruptions created by the covid pandemic. Additionally, the inventory days reduced from 128 days in FY21 (audited) to 114 days in FY22(provisional) due to the faster realisation. Further the creditor days increased from 63 days in FY21 to 120 days in FY22 because the company has procured raw materials worth Rs.17 Crores in the last quarter of FY2022(provisional). As a result, the company's bank limit utilization remained at 89.00% between May 2021 to April 2022.

Highly Competitive Market

The level of competition is quite high in textile industry. High Competition put pressure on the margins. Further, the prices of raw material involve in the process is volatile and have a direct impact on the operating margins.

Customer Concentration Risk

The company has concentration risk as its top 10 customers represents 55.47% of the total revenue of the company. Any change in business dealings by these customers can have a significant impact on the topline of the company. However, the risk is somewhat mitigated by the medium term business relationships with these customers.

Rating Sensitivities

- Improvement in revenue and profitability going forward.
- Significant Improvement in working capital management of the company resulting into improved liquidity.

Material covenants

None

Liquidity Position Adequate

The company's liquidity position is adequate as can be seen from the NCA of the company, which improved and stood at Rs.9.06 crore in FY2022(provisional) as against Rs. 6.14 Cr. in FY2021 (audited). The company has CPLTD of Rs. 7.58 Cr. against the NCA in FY22(provisional) which gives sufficient buffer for debt payments. The company's NCA is expected to be Rs.

12.09 Cr. and 19.87 Cr. against which the CPLTD will be 11.20Cr. & 9.94Cr in FY2023 and FY2024 respectively. The company has unencumbered cash balance of Rs.0.13 crore on 31 st March 2022(provisional). Current Ratio decreased from 1.71 in FY2021(audited) to 1.15 in FY2022(provisional).

Outlook: Stable

Acuité believes that Shetrunjay Dyeing Weaving Mills Ltd. will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, adequate financial risk profile and healthy revenue visibility due to new in-house structure set up by them. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely due to significant debt-funded capex or any significant withdrawal of capital, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	121.84	91.43
PAT	Rs. Cr.	4.46	1.55
PAT Margin	(%)	3.66	1.69
Total Debt/Tangible Net Worth	Times	2.23	0.81
PBDIT/Interest	Times	3.18	2.42

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>
- Entities In Manufacturing Sector - <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

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

Rating History:

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	42.50	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	15.13	ACUITE BB+ Stable Assigned

Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	84.37	ACUITE BB+ Stable Assigned
Bank of Baroda	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	8.00	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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