



**Press Release**  
**SHETRUNJAY DYEING AND WEAVING MILLS LIMITED**  
**September 15, 2023**  
**Rating Reaffirmed**

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

**Rating Rationale**

Acuite has reaffirmed 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(SDWML). The outlook is '**Stable**'.

**Rationale for Reaffirmation**

The rating reaffirmation takes into account the stable business risk profile of the company marked by established business operations with experienced management. The revenue from operations of the company witnessed improvement to Rs. 196.27 crore in FY2023 (Provisional) as against Rs. 122.28 crore in FY2022. Furthermore, the profitability of the company witnessed improvement over FY2022-23. The operating profit margin of the company improved to 13.17 percent in FY2023 (Provisional) as against 9.67 percent in FY2022. However, the company reported Profit after Tax (PAT) of Rs.1.13 crore in FY2023 (Provisional) as against Rs.4.35 crore in FY2022 with decline of 299 bps in PAT Margin which stood at 0.57 Percent in FY 23(Prov.) as against 3.56 percent in FY 22 on account of higher Depreciation and Interest cost.

The rating further draws comfort from the adequate liquidity position of the company. The company reported net cash accruals of Rs. 13.98 crore in FY2023 (Provisional) as against Rs. 7.51 crore of matured debt obligations during the same period. The rating is however constrained on account of working capital intensive nature of operations, Moderate Financial Risk profile. Acuite believes that the company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating indicator.

**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. The extensive experience of the promoters has helped the company in establishing healthy relationship with its customers and suppliers. Acuite believes that Shetrunjay Dyeing and Weaving Mills Limited, will continue to benefit from its operations and excellence.

### **Improvement in Operating Income and Operating Margin**

SDWML's operation witnessed substantial improvement which is apparent from growth in revenue from operations by ~60.51% in FY2023 (Prov.) to Rs 196.27 crore as against Rs. 122.28 crore for FY2022. (improved by ~ 114.66 percent over the last three years FY 21 to FY 23). Company has booked operating income of Rs 67 crore in First four month of FY 24. Company has currently order in hand of Rs ~30 crore to be executed in next 1-2 Months.

Operating margin of the company increased by 350 bps. Operating Profit Margin of company stood at 13.17% in FY2023 (Prov.) as against 9.67% in FY2022 however the net profit margin of the company deteriorated by 299 bps and stood at 0.57 percent in FY2023 (Prov.) as against 3.56 percent in FY 22. ROCE of the company stood at 7.52 times in FY2023 (Prov.).

### **Weaknesses**

#### **Financial Risk Profile –Moderated**

SDWML has moderate financial risk profile marked by moderate net worth and moderate debt protection metrics and high gearing. Company's net worth stood at Rs. 55.58 Cr (Prov.) as on 31st March 2023 as against Rs. 49.46 Cr as on 31st March 2022. Company follows aggressive leverage policy. Gearing levels (debt-to-equity) witnessed minuscule moderation by 10 bps and stood high at 2.39 times as on March 31, 2023 (Prov.) as against 2.29 times in FY 2022.

Further, the interest coverage ratio declined by 76 bps and stood moderate at 2.23 times for FY2023 (Prov.) as against 3.09 times in FY2022. Interest coverage ratio moderated despite improvement in margin due to increased finance cost. However, Debt Service coverage ratio improved by 34 bps and stood at 1.34 times for FY2023 (Prov.) as against 1.00 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 3.12 times as on FY2023 (Prov.) vis-à-vis 2.88 times as on FY2022. Debt-EBITA decreased and stood at 5.10 times as on 31st March 2023 (Prov.) as against 7.92 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.11 times as on FY2023 (Prov.) and 0.07 times for FY2022.

#### **Working capital operations- Intensive**

Company has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 203 days in FY2023 (Prov.) as compared to 212 days in FY2022. Debtor days marginally increased by 2 days and stood at 107 days in FY2023 (105 days in FY2022). Inventory days stood at 110 days in FY2023 (Prov.) as against 112 days in FY2022. Fund based working capital limits are utilized at ~95 per cent during the last twelve months ended April 23.

#### **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 5 customers represents ~50% 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.

Improvement in Financial risk profile

**All Covenants**

None

**Liquidity Position****Adequate**

Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 13.98 crore for FY2023 (Prov.) as against obligations of Rs. 7.51 crore for the same period. Current Ratio stood at 1.24 times as on 31 March 2023(Prov.) as against 1.34 times in the previous year. Fund based working capital limits are utilized at ~95 per cent during the last twelve months ended April 23. Cash and Bank Balances of company stood at Rs 0.30 crore.

**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. The outlook may be revised to 'Positive', if the company demonstrates substantial growth in its revenues from the current levels while maintaining its capital structure, improvemnet in financial risk profile. 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	196.27	122.28
PAT	Rs. Cr.	1.13	4.35
PAT Margin	(%)	0.57	3.56
Total Debt/Tangible Net Worth	Times	2.39	2.29
PBDIT/Interest	Times	2.23	3.09

### 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>
- 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

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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jul 2022	Term Loan	Long Term	84.37	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	42.50	ACUITE BB+   Stable (Assigned)
	Working Capital Demand Loan	Long Term	8.00	ACUITE BB+   Stable (Assigned)
	Proposed Long Term Loan	Long Term	15.13	ACUITE BB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.50	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	27.52	ACUITE BB+   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	79.98	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

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