



**Press Release**  
**SWARAJ SUITING LIMITED**  
**January 19, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	250.00	ACUITE BBB-   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	280.00	-	-

**Rating Rationale**

ACUITE has assigned and reaffirmed its long term rating of '**ACUITE BBB-**(read as **ACUITE triple B minus**) on the bank facilities of Rs.280.00 Crore of Swaraj Suiting Limited (SSL). The Outlook is '**Stable**'.

**Rationale for Rating**

The rating reflects the experience of the promoters of the company of over two decades in this line of business along with an established track record of operations. The rating also factors in the change in customer concentration profile of the company both geographically and party wise. Further, it considers the moderate capital structure with moderate debt protection metrics of the company. The rating also considers the adequate liquidity position of the company with moderate utilization of bank limits with an average utilization of 86.9% for last 12 months ended September 2023. However, the rating is constrained on an account of the execution and demand risk associated with the ongoing project and its final impact is yet to be seen. But, the company have received an order book from Bangladesh of Rs.15 Crore per month which will help to mitigate the demand risk to some extent. Also, the highly intensive working capital operations and vulnerability in the margins due to fluctuations in the raw material prices of the company will remain a key rating sensitivity factor.

**About Company**

Rajasthan-based, Swaraj Suiting Limited (SSL) was incorporated in 2003 as a private limited company by Mr. Mohammad Sabir Khan and Mr. Nasir Khan. The company is engaged in manufacturing of denim fabric for domestic market as well as exports the same. In March 2022, the company has listed its equity share on SME platform of NSE. Further, the company also raised funds amounting to Rs. 10.68 crore through IPO and Rs.12.13 crore through right issue. SSL was primarily engaged in manufacturing grey/unfurnished denim fabric at its Bhilwara manufacturing plant with an installed capacity of 18 lac meter per annum. In FY21, the company planned for backward and forward integration and established another manufacturing plant at Neemuch (M.P.) with an installed capacity of approx. 22 million meters of denim fabric per annum for dyeing the undyed yarn and converting grey fabrics into finished goods. The present directors of the firm are Mr. Mohammed Sabir Khan, Mr. Samar Khan, Mr. Nasir Khan, Mr. Amreen Sheikh, Mr. Annie Zuberi and Mr. Ramesh Agarwal.

**About the Group**

Incorporated in 2003, SSL manufactures cotton and denim fabrics. Modway Suiting Private Limited (Formerly known as Cyan Textile Private Limited), incorporated in 2018, manufactures

synthetic fabrics. Both these companies are promoted by Mr Mohammad Sabir and Mr Nasir Product Khan and is based out of Bhilwara, Rajasthan. SSL is coming with new facility of

dyeing, processing & finishing of denim fabric and is expected to commence operations from April 2022.

## Unsupported Rating

Not Applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken a consolidated view of the financial and business risk profiles of Swaraj Suiting Limited (SSL), Modway Suiting Private Limited (MSPL) together referred as Swaraj Suiting Group. The consolidation is on account of the common management, similarities in the line of business and presence of significant operational and business synergies.

## Key Rating Drivers

### Strengths

#### Established track record of operations and Experienced management

The promoters of the company are Mr. Mohammed Sabir Khan, Mr. Samar Khan, Mr. Nasir Khan, Mr. Amreen Sheikh, Mr. Annie Zuberi and Mr. Ramesh Agarwal. The company was incorporated in 2003. The promoters have experience of more than 2 decades in the textile industry resulting in long relationships with suppliers and customers, driving repeated business. The group has reported significant improvement in revenue for FY23 of Rs.219.79 Cr against Rs.129.16 Cr in FY22. Acuité believes that SSL will continue to benefit from the extensive experience of its promoters, and established relationships with clients will improve its business risk profile over the medium term.

#### Improvement in the operational performance

The company witnessed increased in the top-line of the company FY23 which stood at Rs.219.79 Crore in FY23 against Rs.129.16 Crore in FY22 and Rs.60.02 Crore in FY21. The company has shown an improvement in FY23 by 70.22% in FY23 as compared to previous year. The increase in the top-line of the company is contributed by starting of commercial production in unit-2 which is a forward integration of existing business.. However, this unit-2 have started in October 2022 so it reflected the impact of 6 months in the top-line of the company. Further, the margins of the company stood at 10.91% in FY23 as compared to 10.60% in FY22 and the PAT margins of the company stood at 2.52% in FY23 as compared to 3.54% in FY23. Going forward, the company is expected increase in the top-line of the company along with better margins on the back of increase in the production due to increase in installed capacity post completion of capex. Acuite believes that the ability of company to ramp up the production and increase its top line is a key rating sensitivity.

#### Moderate Financial risk profile

The financial risk profile of the company is moderate marked by net-worth, gearing and debt protection metrics. The net worth of the company stood at Rs.65.50 Crore as on 31st March 2023 against Rs.60.34 Crore as on 31st March 2022. The increase in the net worth is due to accumulation of profits in reserves. Also, the FY24, the company have issued Share-warrants of approximately Rs.35 Crore. This will help company prevent gearing ratio to get deteriorated. The company will also receive capital subsidy from state Government post completion of the project and also receiving subsidy for the last capex done of Rs.20 Crore which will also extend its support to manage leverage ratios. The total debt of the company stood at Rs.113.40 Crore as on 31st March 2023 against Rs.73.90 Crore as on 31st March 2022. Also, the interest coverage ratio and debt service coverage ratio of the company stood at 2.80 times and 1.26 times respectively as on 31st March 2023 against 4.58 times and 1.15 times respectively as on 31st March 2022. Further, the company follows a conservative financial policy reflected through its peak gearing of 1.40 times as on 31 st March 2023. The gearing of

the company stood at 1.40 times as on 31 st March 2023 as against 1.04 times as on 31 st March 2022 and 0.94 times as on 31 st March 2021. The TOL/TNW ratio of the company stood at 2.51 times as on 31st March 2023 against 1.34 times as on 31st March 2022. However, the company has a capex plan of Rs 213.74 Cr for expansion in current weaving and finishing division and commencement of spinning unit of which Rs 146.61 Cr will be funded through bank loan, 25 Cr will be through unsecured loans and remaining Rs 42.13 Cr through share capital and internal accruals. Acuite believes that ability of the company to maintain its financial risk profile moderate is a key rating sensitivity with debt funded capex plan in near term.

## **Weaknesses**

### **Working capital Intensive operations**

The working capital operations of the company are intensive marked by high GCA days which stood at 223 days as on 31st March 2023 against 156 days as on 31st March 2022. The GCA days are higher on an account of high debtor days which stood at 94 days as on 31st March 2023 against 40 days as on 31st March 2022. Further, the inventory days of the company are also on higher side which stood at 127 days as on 31st March 2023 against 96 days as on 31st March 2022. On the other hand, the creditor days of the company stood at 106 days as on 31st March 2023 against 10 days as on 31st March 2022. Acuite believes that the working capital operations of the company may continue to remain in the same range in near to medium term considering the nature of operations.

### **Execution and Demand risk for the new capex plan**

SSL's Project cost is Rs.213.74 Crore to be funded through term loans of Rs.146.61 Crore and promoter support of Rs.67.13 Crore. The project has achieved- 15.34 percent of financial completion as on 31 st July 2023. SSL has acquired a land of about 15.24 hectares at village Soniyyam, Dist: Neemuch, Madhya Pradesh which will be second unit of the Neemuch plant. The project status is at nascent stage. This project will be completed in two phases. In first phase, company is planning to increase its weaving capacity and Finishing capacity. Overall the denim fabric capacity will be increased from 21.75 Million metric meters to 33.3 Million metric metres. The operations are expected to commence by January 2024. The second phase of the capex will be related to set up a spinning division, which shall increase the margins in near to medium term. The company is expected to commence the operations by Q2FY25. Further, the capacity utilization in FY 2023 for fabric processing stood at 90%, hence the company is exposed to off take risk for expanded capacity plans. However, the company have already completed the civil work to an extent of 50% and installation of machinery is pending of which orders have been already placed and the company is expected to achieve the completion date of the project by January 2024. Further, demand risk will get mitigated on the back order book approximately of Rs.15 Crore on monthly basis. However, timely completion of the project to remain key monitorable over the medium term.

### **Intense competition in the industry Company's profitability is susceptible to changes in the prices of the raw material**

The prices of yarn are influenced by movement in prices of its substitutes, i.e. cotton and polyester staple fibres. The prices of cotton are highly dependent on agro climatic conditions. Besides, cotton prices are fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation, which limits bargaining power with suppliers as well. The prices of the main raw material. are relatively stable as compared to cotton prices. Acuite believes that group should be able to maintain its operating profitability around existing levels, notwithstanding the volatility in prices of its key inputs on the back of its established position in the domestic market. Further, the company is exposed to intense competition in the highly fragmented textile industry. The company also faces stiff competition from organized and unorganized players in the domestic market.

## **Rating Sensitivities**

- Improvement in revenue and profitability margins.
- Any elongation of the working capital cycle leading to stretch in liquidity.
- Time and cost overrun in the project leading to impact in the financial risk profile.

## **Liquidity Position**

### **Adequate**

The liquidity profile of the company is adequate. The company have generated net cash accruals of Rs.13.42 Crore as on 31st March 2023 against debt repayment obligation of Rs.8.90 Crore in the same period. Further, the company is expected to generate sufficient net cash accruals against the debt repayment obligation in near to medium term. The current ratio of the company stood at 1.25 times as on 31st March 2023 as against 2.53 times as on 31 st March 2022. The average consolidated fund based bank limit utilization of the company stood moderate at 86.9% in last 12 months ending September 2023. Acuité believes that liquidity position may continue to remain adequate over the medium term backed by steady cash accruals.

### **Outlook: Stable**

Acuité believes that SSL will continue to maintain 'Stable' outlook over the medium term due to its experienced management along with established track record of operations and improvement in the operational performance of the company. The outlook may be revised to 'Positive', in case of timely completion of the project, leads to higher-than-expected revenues and profitability, while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of delay in full commercialization leads to lower-than-expected revenues and profitability affecting the financial risk profile and liquidity or any significant stretch in its working capital management.

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	219.79	129.16
PAT	Rs. Cr.	5.54	4.57
PAT Margin	(%)	2.52	3.54
Total Debt/Tangible Net Worth	Times	1.40	1.04
PBDIT/Interest	Times	2.80	4.58

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

Not Applicable

### Any Other Information

None.

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
07 Nov 2023	Covid Emergency Line.	Long Term	0.92	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	3.12	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	1.56	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.60	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	40.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	22.99	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	10.56	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	30.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	41.61	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	13.64	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	11.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	19.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	20.00	ACUITE BBB-   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
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB-   Stable   Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB-   Stable   Assigned
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	30 Nov 2027	Simple	3.12	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	30 Nov 2027	Simple	1.56	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	31 Jan 2024	Simple	0.92	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	31 Mar 2029	Simple	22.99	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	31 Dec 2032	Simple	35.00	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	31 Dec 2032	Simple	40.00	ACUITE BBB-   Stable   Reaffirmed



State Bank of India	Not Applicable	Term Loan	Not available	Not available	31 Dec 2029	Simple	10.56	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	31 Dec 2029	Simple	13.64	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	31 Dec 2032	Simple	41.61	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	31 Dec 2033	Simple	30.00	ACUITE BBB-   Stable   Reaffirmed

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)**

Modway Suiting Private Limited (Formerly known as Cyan Textile Private Limited).

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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