



**Press Release**  
**SHRIRAJLAXMI DENIM LIMITED**  
**March 18, 2025**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	63.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	77.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 65.00 Cr. bank facilities of Shrirajlaxmi Denim Limited (SDL). The outlook is 'Stable'.

Further Acuite has assigned the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs. 12 Cr. bank facilities of SDL. The outlook is 'Stable'.

**Rationale for rating**

The rating reaffirmation takes into account the expected growth in revenues post decline in FY24 and improving margins. The rating derives support from the established track record of the company over the last decade, incentives received from government through subsidies and moderate financial risk profile which is also expected to improve over the medium term. Moreover, rating is constrained due to the moderately intensive working capital levels and volatility in the cotton prices which affects the operating performance of the company.

**About the Company**

Incorporated in December 2012, Shrirajlaxmi Denim Limited (SDL) is engaged in the manufacturing of denim fabric. The manufacturing facility of the company is located at Gujarat Eco Textile Park Limited at Palsana in Surat, Gujarat, equipped with a total installed capacity of 4.32 crore meters per annum of dyeing & weaving; utilized at 61.64% in FY24. The company has also developed a windmill of 2.10 MW capacity in Jamnagar, Gujarat in FY24 and is currently in the process of developing solar plant of 5 MW at a project cost of Rs. 16.67 Cr. in Bharuch, Gujarat; expected to be completed by November 2025. Both these power facilities are tied up with State Grid supplies. The current directors of the company are Mr. Laxmikant Sodhani, Mr. Bharat Sikchi, Mr. Shrikant Shah and Mr. Durgesh Banger.

**Unsupported Rating**

Not Applicable.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of Shrirajlaxmi Denim Limited to arrive at the rating

## **Key Rating Drivers**

### **Strengths**

#### **Established track of operations**

SDL has an established track record of operations dating back to more than a decade. Over the years company has established a strong position in the denim fabric manufacturing industry. The experience of the management is

reflected in the growing operations of the company. The denim fabric manufactured by the company is sold to various traders and readymade garment manufacturers at domestic and international markets like Bangladesh, Egypt & Sri Lanka. SDL made exports to the extent of ~8.32 percent of the total revenue in FY24 and is focusing to increase the same, resulting which the export increased to ~12.51 percent during 9MFY25.

Acuité believes that the industry experience and domain knowledge of the management are expected to support its business risk profile over the medium term.

#### **Incentives from government supporting cashflows**

Apart from the denim business, the company is also focused on adapting renewable energies sources by the way of setting up of windmill and solar plant for power generation for which it receives state subsidies. The company also receives other interest and GST subsidies. It has received subsidies worth Rs.12.61 Cr. from FY21-24 and Rs. 2.42 Cr. subsidy in FY25 upto February 28, 2025. Further, the company is receiving GST subsidy from 2018 and is expected to receive ~ Rs 3.75 Cr. for the next two years.

#### **Expected growth in revenue and improvement in margins**

The total operating income of SDL decreased from Rs. 231.11 Cr. in FY23 to Rs.167.44 Cr. in FY24 owing to reduction in the sales quantity on account of subdued production due to the boiler capex and lower purchases by the customers due to the changes in the MSME payment terms. Further, the decrease in cotton prices during the year also affected the realisations of the company. However, the scale of operations is expected to stabilize from FY25 onwards on account of resurgence in the volumes coupled with improving realisations. The company has made revenue of ~Rs.175 Cr. till February 28, 2025.

Despite the moderation in the revenue, the operating and profitability margins increased in comparison with the previous year. The operating margin stood at 7.96 percent in FY24 as against 7.51 percent in FY23; this was on account of lower raw material costs and secondly due to lowering of the power cost which was because of the new windmill for which credits was received. The margins are further expected to improve in FY25 with the setting up of the solar plant and increased focus on exports which offer higher margins.

#### **Moderate Financial risk profile**

The financial risk profile of the company stood moderate marked by low gearing, moderate net worth and low debt protection metrics. In FY23, of the total unsecured loan (USL) of Rs.23.76 Cr, Rs.15 Cr. was classified as quasi equity. However, as per the recent sanctions of the bank; this quasi equity has been reclassified into USL for FY24. Therefore, this led to reduction in the networth from Rs.69.73 Cr. in FY23 to Rs.56.08 Cr. in FY24 and increase in debt, thereby moderating the overall gearing to 1.25 times as on 31st March, 2024 as against 0.70 times as on 31st March, 2023. Given this moderation in capital structure & profitability position, the debt coverage indicators stood moderated with the Debt/EBITDA of 5.23 times in FY24 as against 2.81 times in FY23. Further, the interest coverage and debt service coverage (DSCR) also stood low at 2.55 times and 0.87 times in FY24 as against 3.72 times and 1.04 times respectively in FY23. The repayments were managed through working capital adjustments. Acuité understands that while the company shall be raising debt of Rs.12.60 Cr for the solar project in the near term, the financial risk profile is expected to improve on back of growth in cash accruals.

#### **Weaknesses**

##### **Moderately intensive working capital operations**

The working capital operations of the company stood moderately intensive marked by gross current assets (GCA) of 152 days in FY24 as against 125 days in FY23 which majorly includes other current assets of ~Rs.11 Cr. consisting of receivables from government (GST and subsidy) and inventory holding which stood elongated at 73 days in FY24 as against 35 days in FY23 owing to lower sales which led to inventory pile up. The collection period reduced to 59 days in FY24 as against 71 days in FY23 owing to a better credit period of over 30-60 days extended to the customers post change in the MSME payment guidelines. On the other hand, the creditors' period stood similar to FY23 at 17 days in FY24 as well. The average bank limit utilisation for fund based limits stood at ~73% for the last 12 months ended December 31, 2024 and the non-fund based utilisation stood at an average of ~88% during the same period. Going ahead, the working capital operations are expected to remain in the same level considering the nature of the business.

##### **Customer concentration risk and susceptibility of profitability to volatility in raw material prices**

The company is susceptible to customer concentration risk as ~50 percent of the company's revenue are generated through sales to one customer. Any financial or business risk faced by any of its top customers could affect business negatively. Further, the company faces the risk from the volatility in raw material prices as cotton business is highly seasonal in nature and prices are driven by global demand supply parameters. Also, the cotton prices saw a downtrend in recent years which affected the realisations. However, due to the raw material pass through mechanism the margins generally remain range bound.

#### **Rating Sensitivities**

- Growth in the scale of operations and improving profitability

- Improvement in financial risk profile supported by healthy cash accruals and no significant debt funded capex
- Any deterioration in working capital cycle and liquidity profile

### **Liquidity Position**

#### **Adequate**

The net cash accruals (NCA) of the company stood at Rs.7.71 Cr. against debt repayment obligation of Rs.9.61 Cr. in FY24. The repayments were managed through working capital adjustments. Going forward, the NCA are expected to be in the range of Rs.10.00-15.00 Cr. through FY2025-27 against repayment obligations of Rs.3-8 Cr. The working capital operations of the company are moderate intensive in nature with GCA of 152 days in FY24. However, the reliance on working capital limits is moderate at 73% utilisation levels for last 12 months ending December, 2024. The company has cash and bank balance of Rs.0.63 Cr. and current ratio of 2.10 times as on 31st March, 2024.

#### **Outlook: Stable**

#### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	167.44	231.11
PAT	Rs. Cr.	1.35	0.23
PAT Margin	(%)	0.81	0.10
Total Debt/Tangible Net Worth	Times	1.25	0.70
PBDIT/Interest	Times	2.55	3.72

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

Not Applicable

**Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)**

**Not applicable**

**Any other information**

None.

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <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, Acuité 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
28 Feb 2024	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	10.84	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	7.81	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	12.86	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.49	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.65	Simple	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2034	0.60	Simple	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2026	5.24	Simple	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2030	12.08	Simple	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2034	12.00	Simple	ACUITE BBB-   Stable   Assigned
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2026	4.43	Simple	ACUITE BBB-   Stable   Reaffirmed

## Contacts

Mohit Jain Senior Vice President-Rating Operations	<b>Contact details exclusively for investors and lenders</b>
Dhruvi Chauhan Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

**Note:** None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.