



Press Release

Shetrunjay Dyeing and Weaving Mills Limited (SDWML)

August 13, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	112.89	IVR BB+/Stable [IVR Double B Plus with Stable Outlook]	-	Assigned	Simple
Total	112.89 (Rupees One hundred twelve crore and eighty-nine lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned rating to the bank facilities of SDWML based on the strength it derives from long standing experience of promoters in trading & manufacturing of yarns and fabrics, improvement in profit margins and financial risk profile. The rating is however constrained on account of working capital intensive nature of business, client concentration risk and cyclic nature of textile industry.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the capital structure and/or improvement in debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators.



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- Elongation in the operating cycle impacting the liquidity.
- Any major debt-funded capex leading to deterioration in debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters**

The company is promoted by Mr. Bhanwarlal Jain, Mr. Anil Jain and Mr. Jimesh Jain. Mr. Bhanwarlal Jain is the Managing Director of the company having experience of more than 4 decades in trading, manufacturing of yarns and fabrics. Mr. Anil Jain and Mr. Jimesh Jain have an experience of 20 years and 13 years, respectively in textile business. Promoters of the firm are ably supported by an experienced second line of management.

- **Improvement in margins and stable scale of operations**

SDWML booked the revenue of Rs. 185.32 crore in FY24 (P) (refers to the period from April 01, 2023 to March 31, 2024) with slight decline from Rs. 194.56 crore in FY23 (Rs. 122.67 crore in FY22). There was a substantial increase in revenue of ~59% in FY23 when compared with FY22 revenue mainly on account of higher sales volume and increase in production capacity due to acquisition of the new factory unit to cater to the increased sales. EBITDA margin has improved by 239 bps to 14.91% in FY23 due to reduction in reduction in raw material cost and PAT margin has also improved to 3.03% in FY24 (P) (FY23: -0.03%).

- **Improve financial risk profile**

The financial risk profile of the company is marked by moderate capital structure and debt protection metrics. SDWML's TOL/TNW improved to 2.47x as on March 31, 2024 (P), (3.27x as on March 31, 2023) due to reduction in utilization of working capital bank facility and stable accretion of profits to reserves. Further, overall gearing improved to 2.03x as on March 31, 2024 (P) (2.46x as on March 31, 2023). The debt protection metrics also remained moderate with interest coverage ratio of 2.07x as on March 31, 2024 (P). (2.22x as on March 31, 2023). Total debt to GCA stood moderate at 6.86x as on March 31, 2024 (P).



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Key Rating Weaknesses

- **Client concentration risk**

The top 5 customers account for approximately ~50% of the total revenue. The company maintains short term recurring contracts with its customers, this high dependency on a set of customers without long term commitments possess a threat on the stability of revenue earned by the company.

- **Working capital intensive nature of business**

The operating cycle was of around 151 days in FY24 (P) (111 days in FY23). The company maintains an average inventory of around 113 days of various varieties and grades for smooth running of operations. Its average collection period remained at 105 days in FY24 (P) (87 days in FY23), while the average creditor days remained at 67 days in FY24 (P) (66 days in FY23).

- **Cyclical nature in the textile industry**

The concerns around the textile industry have much to do with the cyclical nature of its business. The industry is sensitive to economic conditions and factors such as consumer demand, inflation, disposable income levels and demographic trends. Margins are exposed to volatility in raw material prices and competition.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

SDWML's liquidity position remained adequate marked by current ratio of 1.33x as on March 31, 2024 (P) (1.30x as March 31, 2023). Gross cash accruals stood at Rs. 17.56 crore as on March 31, 2024 (P) (Rs. 13.21 crore in FY23). The company's cash accruals are sufficient to meet its repayments in FY25-27. However, average working capital limit utilisation of the



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company was ~95% during the past twelve months ended March 2024 indicating limited liquidity cushion from existing working capital credit facility.

About the Company

Shetrunjay Dyeing and Weaving Mills Ltd. (SDWML) is engaged in textile manufacturing and was set up in April 2004 as a partnership firm and subsequently it was converted into a public limited company in October 2010. 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. SDWML has diversified into many segments like textile manufacturing, yarn dyeing, fancy shirting, uniform shirting, menswear & kids wear suiting & shirting, garments, and many other segments.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	194.56	185.32
EBITDA	24.36	27.64
PAT	-0.07	5.78
Total Debt	132.38	120.97
Tangible Net Worth	53.80	59.48
EBITDA Margin (%)	12.52	14.91
PAT Margin (%)	-0.03	3.03
Overall Gearing Ratio (x)	2.46	2.03
Interest Coverage (x)	2.22	2.07

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-22	Date(s) & Rating(s) assigned in 2022-21
1.	Fund Based – Term Loan	Long Term	67.06	IVR BB+ / Stable	-	-	-
2.	Fund Based – GECL	Long Term	3.33	IVR BB+ / Stable	-	-	-
3.	Fund Based – Cash Credit	Long Term	42.50	IVR BB+ / Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Term Loan	–	–	-	January 2032	67.06	IVR BB+ / Stable
Long Term – Fund Based – GECL	–	–	–	November 2026	3.33	IVR BB+ / Stable
Long Term - Fund Based – Cash Credit	–	–	–	–	42.50	IVR BB+ / Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Shetrunjay-Dyeing-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.