

S.R. Industries Limited

April 02, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Ratings Action
Long term Bank Facilities	29.33	CARE D; ISSUER NOT COOPERATING (Single D; ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Short term Bank Facilities	1.75	CARE D; ISSUER NOT COOPERATING (Single D; ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Long/Short term Bank Facilities	1.00	CARE D/ CARE D; ISSUER NOT COOPERATING (Single D/ Single D; ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Total Facilities	32.08 (Rupees Thirty Two crore and Eight lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

S.R. Industries Limited (SRIL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on ratings on S.R. Industries' bank facilities will now be denoted as **CARE D/CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings assigned to the bank facilities of S.R. Industries Limited (SRIL) takes into account ongoing delays in the debt servicing.

Detailed description of the key rating drivers

Key Rating Weaknesses

Ongoing delays in debt servicing: There are ongoing delays in the servicing of the term debt obligation, while the working capital limits have remained overdrawn for more than 30 days.

Weak financial risk profile: The financial risk profile of the company remained weak, marked by small and fluctuating scale of operations and weak overall solvency position. During FY18 (refers to the period April 1 to March 31), the total income of SRIL declined by ~15% and stood at Rs.38.12 crore owing to decline in demand from clients. SRIL reported PBILDT margins of 6.36% and losses at the net level for FY18. (PY: 20.92% and 2.98% respectively). Further, the solvency position of the company remained weak owing to losses at the net level, leading to negative networth, as on March 31, 2018.

During 9MFY19 (Unaudited), the operating income of the company declined by ~79% on a year-on-year basis to Rs.5.07 cr. as compared to same period last year.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[CARE's policy on default recognition](#)

[CARE's methodology for Short Term Instruments](#)

Company Background

Established in 1989, SRIL is engaged in manufacturing of sports footwear, chappals and sandals at its manufacturing unit located in Una, Himachal Pradesh. The company was set up by Mr R C Mahajan and Mr Yash Mahajan in 1989 for

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

manufacturing of terry towel. The Terry Towel business was subsequently sold in FY13 and the company started manufacturing of footwears. Apart from contract manufacturing, SRIL also manufactures footwear business under its own brand name 'Red Zone' and 'Front Foot'.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	44.99	38.12
PBILDT	9.41	2.42
PAT	1.34	-4.08
Overall gearing (times)	Nm	Nm
Interest coverage (times)	1.52	0.56

A: Audited; Nm: Not Meaningful

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified the S.R. Industries Limited as "Not cooperating" vide its press release dated August 31, 2018.

Any other information: NA

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	January-2019	11.33	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	18.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST- Standby Line of Credit	-	-	-	0.40	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	1.35	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based/Non-fund-based-LT/ST	-	-	-	1.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	11.33	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (06-Apr-18)	1)CARE D (08-Aug-17)	1)CARE D (01-Feb-17)	-
2.	Fund-based - LT-Cash Credit	LT	18.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (06-Apr-18)	1)CARE D (08-Aug-17)	1)CARE C; Negative (01-Feb-17)	-
3.	Fund-based - ST- Standby Line of Credit	ST	0.40	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (06-Apr-18)	1)CARE D (08-Aug-17)	1)CARE A4 (01-Feb-17)	-
4.	Non-fund-based - ST- Letter of credit	ST	1.35	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (06-Apr-18)	1)CARE D (08-Aug-17)	1)CARE A4 (01-Feb-17)	-
5.	Fund-based/Non-fund-based-LT/ST	LT/ST	1.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D / CARE D (06-Apr-18)	1)CARE D / CARE D (08-Aug-17)	1)CARE C; Negative / CARE A4 (01-Feb-17)	-

*Issuer did not cooperate; Based on best available information

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