

S.R. Industries Limited

April 06, 2018

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Ratings Action
Long term Bank Facilities	29.33	CARE D (Single D)	Reaffirmed
Short term Bank Facilities	1.75	CARE D (Single D)	Reaffirmed
Long/Short term Bank Facilities	1.00	CARE D/ CARE D (Single D/ Single D)	Reaffirmed
Total Facilities	32.08 (Rupees Thirty Two crore and Eight lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of 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 debt obligations.

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 FY17 (refers to the period April 1 to March 31), the total income of SRIL increased by about 33% and stood at Rs.44.82 crore backed by increased orders from existing as- well-as new clients. SRIL reported a PBILDT and PAT margin of 19.03% and 1.83%, respectively for FY17 compared to 18.52% and -6.10%, respectively, in FY16. Further, the solvency position of the company remained weak owing to low profitability and losses in the past, leading to negative networth, as on March 31, 2017.

During 9MFY18(Unaudited), the operating income of the company declined by 31.72% to Rs.23.74 cr. as compared to same period last year.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

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

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

About the Company

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 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)	FY16 (A)	FY17 (A)
Total operating income	33.82	44.82
PBILDT	6.26	8.53
PAT	-2.06	0.82
Overall gearing (times)	NM	NM

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

Interest coverage (times)	1.04	1.43
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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 September 13, 2017.

Any other information:NA

Rating History for 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.

Analyst Contact:

Name: Mr Sudeep Sanwal

Tel: 0172-4904002

Cell: +91 9958043187

Email: sudeep.sanwal@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over 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-Cash Credit	-	-	-	18.00	CARE D
Fund-based - LT-Term Loan	-	-	January-2019	11.33	CARE D
Fund-based - ST-Standby Line of Credit	-	-	-	0.40	CARE D
Non-fund-based - ST-Letter of credit	-	-	-	1.35	CARE D
Fund-based/Non-fund-based-LT/ST	-	-	-	1.00	CARE D / CARE D

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	-	1)CARE D (08-Aug-17)	1)CARE D (01-Feb-17)	-
2.	Fund-based - LT-Cash Credit	LT	18.00	CARE D	-	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	-	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	-	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	-	1)CARE D / CARE D (08-Aug-17)	1)CARE C; Negative / CARE A4 (01-Feb-17)	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com