

Shubham Polyspin Limited

October 10, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.99	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	6.30	CARE BB+; Stable / CARE A4+	Assigned
Short Term Bank Facilities	2.00	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Shubham Polyspin Limited (SPL) are constrained on account of its small scale of operations and moderate profitability. The ratings also factor in susceptibility of operating profitability to volatility in raw material prices, and its presence in a highly competitive and fragmented industry having low entry barriers.

The ratings however derive strength from its experienced promoters, comfortable capital structure and moderate debt coverage indicators, diversified customer base, and adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by Total Operating Income (TOI) above Rs.100 crores with improving PBILDT margin above 7% on sustained basis
- Improvement in net worth base above Rs.25 crore
- Improving capital structure marked by overall gearing below 0.50 times on sustained basis

Negative factors

- Volume driven decline in scale of operations with total operating income below Rs.30 crore
- Deterioration in capital structure marked by overall gearing above 1.50x

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that SPL is likely to sustain its overall financial risk profile marked by comfortable capital structure and moderate debt coverage indicators.

Detailed description of the key rating drivers:

Key weaknesses

Small scale of operations and moderate profitability

SPL's scale of operations remained small marked by TOI of Rs.46.13 crore in FY23 and Rs.53.14 crores in FY22. Marginal decline in scale of operations pertains to decrease in prices of polymers during FY23. Further, in Q1FY24, it has reported TOI of Rs.10.79 crore. PBILDT margin though improved in FY23 remained moderate at 6.10% in FY23 as against 2.58% in FY22 on account of decrease in cost of raw material prices. Despite significant increase in PBILDT margin, PAT margin remains at similar level at 0.83% in FY23 as against 0.68% in FY22 owing to extraordinary income of Rs. 1.80 crore booked in FY22 pertaining to recovery disputed funds from electricity board. During Q1FY23, SPL has reported PBILDT margin of 4.99% and PAT margin of 1.54%.

Susceptibility of profit margins to volatility in raw material prices and foreign exchange fluctuation risk

Plastic granules are the key raw materials of SPL, which being a derivative of crude oil, makes SPL's profitability susceptible to volatility in crude oil prices. This risk is partially mitigated with lower order execution period and lower inventory holding period of lower than a month which makes these prices largely passthrough to customers. Further, polymer prices are also impacted by forex fluctuations owing to imports along with its prices linked to international markets. However, the risk is mitigated to certain extent as SPL hedges its position if required as informed by management and it is naturally hedged with its exports to various destinations in USA, Asia, and Africa with exports forming about ~30% of its sales from goods manufactured during FY23 as against ~39% during FY22.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Presence in a highly competitive and fragmented industry having low entry barriers

SPL operates in a highly fragmented industry marked by presence of many players in the organized as well as unorganized sector. The industry is characterized by low entry barriers due to readily available technology and easy availability of standardized machinery for the production. Further, favourable government policies have led to the entry of many new players in this industry, which again intensifies the competition. SPL's pricing power is restricted with limited ability to pass on any increase in input cost due to intense competition.

Key strengths

Experienced promoters

SPL is incorporated in March 2012 by Mr. Anil Somani who holds more than two decades of experience in the industry. Mr. Ankit Somani and Mr. Akshay Somani, sons of Mr. Anil Somani have joined the business. Mr. Ankit Somani completed his MBA in Finance and Investment Management from Prifysgol Cymro University of Wales. Prior to being appointed as the MD recently, he held the position of Director of the company since inception. Mr. Akshay Somani completed his MBA from Nirma University. He currently holds the position of Director and CFO of SPL.

Comfortable capital structure and moderate debt coverage indicators

The capital structure remains comfortable marked by overall gearing of 0.72x as on March 31, 2023 (P.Y.:0.96x). The same has improved owing to lower utilization of working capital borrowings as on March 31, 2023. TOL/TNW remained comfortable at 0.86 times in FY23. Debt coverage indicators remained moderate during FY23, as indicated by PBILDT interest coverage 2.44x (P.Y: 1.24x) and TDGCA stood at 4.26x in FY23 (PY: 6.07x)

Diversified customer base

Over the years, SPL has developed long standing business relations with its various customers. Resultantly, SPL is able to secure repeat orders from its customers. SPL sells multifilament yarn and narrow woven fabrics to its customers located in Gujarat as well as outside Gujarat. In FY23, SPL's dependence on its top 5 customers stood at ~22% indicating low customer concentration risk.

Liquidity: Adequate

The liquidity position remains adequate marked by moderate liquidity ratio and low utilization of working capital limits, moderate operating cycle, adequate cash accruals against debt repayment obligations. Average utilization of working capital limits remained at ~50% for the past 12 months ended July 31, 2023. It has generated gross cash accruals of Rs.2.45 crore in FY23 against repayment obligations of Rs.1-2 crore in near term. Cash flow from operations improved to Rs.4.27 crore (PY: Rs.1.50 crore) on the back of increased operating profit. The current ratio stood at 1.24x as on March 31, 2023. However, cash and bank balance remained low at Rs.0.06 crore for FY23.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manmade Yarn Manufacturing](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Shubham Polyspin Limited (CIN: L17120GJ2012PLC069319) is incorporated in March 2012. Subsequently, shares of the company were listed on Bombay Stock Exchange in 2017. SPL is promoted by Somani family with key promoters Mr. Anil Somani and his sons Mr. Ankit Somani and Mr. Akshay Somani. The company is engaged in manufacturing of polypropylene yarn and narrow woven fabric. SPL operates from its manufacturing facilities located in Jetpura, Gujarat with total installed capacity of 3000 metric tonnes per annum (MTPA) as on March 31, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	53.14	46.13	10.79
PBILDT	1.37	2.82	0.54
PAT	0.68	0.83	0.17
Overall gearing (times)	0.96	0.72	NA
Interest coverage (times)	1.24	2.44	NA

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	28-02-2028	3.99	CARE BB+; Stable
Fund-based-LT/ST		-	-	-	6.30	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Letter of credit		-	-	-	2.00	CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based-LT/ST	LT/ST*	6.30	CARE BB+; Stable / CARE A4+				
2	Fund-based - LT-Term Loan	LT	3.99	CARE BB+; Stable				
3	Non-fund-based - ST-Letter of credit	ST	2.00	CARE A4+				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-LT/ST	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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