

Shubham Polyspin Limited

October 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable / CARE A4+ and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/CARE A4+' [Double B Plus; Outlook: Stable/ A Four Plus] assigned to the bank facilities of Shubham Polyspin Ltd (SPL) with immediate effect. The above action has been taken at the request of SPL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

The ratings prior to its withdrawal remain 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 foreign exchange fluctuation risk, and its presence in a highly competitive and fragmented industry having low entry barriers. The ratings however derive strengths from its experienced promoters, comfortable capital structure and moderate debt coverage indicators.

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 key rating drivers:

Small scale of operations and moderate profitability

SPL's scale of operations remained small marked by total operating income (TOI) of Rs.49.33 crore in FY24 and Rs.46.13 crores in FY23. Further, in Q1FY25, it has reported TOI of Rs.11.28 crore. PBILDT margin moderated in FY24 to 3.60% in FY24 as against 6.10% in FY23 on account of increase in cost of raw material. Despite decrease in PBILDT margin, PAT margin remains at similar level at 1.75% in FY24 as against 1.81% in FY23 owing to decrease in interest costs. During Q1FY25, SPL has reported PBILDT margin of 5.45% and PAT margin of 1.51%.

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, and it is naturally hedged with its exports to various destinations in USA, Asia, and Africa with exports forming about ~48% of its sales from goods manufactured during FY24 as against ~30% during FY23.

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.

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

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 Cymbro 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 0.59x as on March 31, 2024 (P.Y.:0.72x). The same has improved owing to accretion of profits to reserves and scheduled repayment of term debt as on March 31, 2024. TOL/TNW remained comfortable at 0.76 times in FY23. Debt coverage indicators remained moderate during FY24, as indicated by PBILDT interest coverage 2.08x (P.Y: 2.44x) and TDGCA stood at 4.05x in FY24 (PY: 4.26x)

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

[Manmade Yarn-Methodology](#)

About the company and industry

Industry classification

Macroeconomic 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, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	46.13	49.33	11.28
PBILDT	2.82	1.78	0.62
PAT	0.83	0.86	0.17
Overall gearing (times)	0.72	0.59	NA
Interest coverage (times)	2.44	2.08	NA

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	28-02-2028	0.00	Withdrawn
Fund-based-LT/ST		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based-LT/ST	LT/ST	-	-	1)CARE BB+; Stable / CARE A4+ (04-Oct-24)	1)CARE BB+; Stable / CARE A4+ (10-Oct-23)	-	-
2	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB+; Stable (04-Oct-24)	1)CARE BB+; Stable (10-Oct-23)	-	-
3	Non-fund-based - ST-Letter of credit	ST	-	-	1)CARE A4+ (04-Oct-24)	1)CARE A4+ (10-Oct-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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