

## Saidristi Suitings Private Limited

February 23, 2021

### Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B+; Stable (Single B Plus; Outlook: Stable) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> <b>(Rs. Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Saidristi Suitings Private Limited (SSPL) continue to remain primarily constrained on account its modest scale of operations with thin profitability margins, its financial risk profile marked by moderately leveraged capital structure, weak debt coverage indicators and stretched liquidity profile. The rating, further, continues to remain constrained on account of its limited presence in textile value chain and vulnerability of margins to volatile raw material prices in highly fragmented and competitive industry.

The ratings, however, continue to favorably takes into account experienced directors with established relationships with customers and suppliers, its strong marketing and distribution network and along with its presence in the textile cluster with ease of availability of raw material and labor

Hence, CARE has reaffirmed and withdrawn the outstanding rating of "CARE B+; Stable [Single B Plus; Outlook: Stable]" assigned to the bank facilities of SSPL with immediate effect. The above action has been taken at the request of SSPL and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weakness

#### Modest scale of operations and declining profitability margins

During FY20, the scale of operations of the company increased by 9.21% over FY19 and stood modest at Rs 28.17 Crore as against Rs 25.80 Crore in FY19.

Further, as per provisional result of 10MFY21, SSPL has achieved TOI of Rs.17.00crore.

The profitability of the company increased and stood moderate with PBILD and PAT margin of 5.27% and 0.15% respectively in FY20 as against 4.87% and 0.10% respectively in FY19. However, the GCA level of the company improved in absolute terms by 6.23% over FY19 and stood at Rs 0.53 Crore in FY20.

#### Moderate solvency position

The capital structure of the company continued to remain leveraged with an overall gearing of 2.52 times as on March 31, 2020, deteriorated marginally from 2.36 times as on March 31, 2019; mainly on account of increase in unsecured loans as well as higher utilization of working capital bank borrowings as on balance sheet date.

Furthermore, the debt coverage indicators of the company stood moderate at 14.97 times in FY20 being almost in line with FY19. Also, the interest coverage stood moderate at 1.57 times in FY20.

#### Limited presence in textile value chain and vulnerability of margins to volatile raw material prices in highly fragmented and competitive industry

SSPL has limited presence in the textile value chain as it is engaged in the manufacturing of grey fabrics from synthetic yarn and also gets the process work done on job work basis from other processors. Further, the main raw material of SSPL is synthetic yarn which it procures through the dealers from various units spread across the country. The price of key raw material has remained volatile in the past. Further, SSPL has limited power to pass on an increase in raw material cost fully to its customers due to its presence in a highly fragmented and competitive industry. There are more than 12000 looms in Bhilwara manufacturing around 75 million meter of fabric every month, of which approx 7-9% is contributed by cotton-based fabric. The textile industry in India is highly fragmented with predominant presence of unorganized sector.

## Key Rating Strengths

### Experienced promoter with established relationships with customers and suppliers

The management of SSPL is family centric and the entire decision making is concentrated with Mahnot family. Mr Amit Kumar Mahnot, director, is graduate by qualification and has an experience of around 20 years in the textile industry. He looks after the overall affairs of the company. Mr Amit Kumar Mahnot also gets assistance from his father, Mr Kamal Singh Jain, director who has an experience of around 22 years in the textile industry and looks after the accounting function of the company. With the long-standing industrial experience, the promoters have established strong relationships with the customers as well as suppliers.

### Strong marketing and distribution network

Being present in the industry since 2003, SSPL has established a network of 10-15 agents which are spread across in Southern, Northern and North-Eastern region of India. The company provides credit period of 60-90 days to its agents.

### Presence in textile cluster with ease of availability of raw material and labour

The main raw material of the company is synthetic yarn. The manufacturing facility of the company is located at Bhilwara (Rajasthan) which is one of the largest textile clusters in India and majority of these industries are engaged in the manufacturing of synthetic and polyester yarn accounting for nearly 40% of India's total synthetic yarn production and nearly 50% of India's total polyester fabrics and suiting production. SSPL's presence in the textile manufacturing region results in benefit derived from continuous business from the textile manufacturers, low transportation cost both on transportation and storage, easy availability of raw materials as well as skilled/unskilled labour and procurement of raw materials (yarn) at effective prices.

### Liquidity: Stretched

The liquidity position of the company is stretched with 90% utilization of its working capital bank borrowings during last 12 months ended January 2021. Further, the liquidity ratios of the company remained moderate marked by current and quick ratio of 1.27 times and 0.41 times respectively as on March 31, 2020. Cash flow from operating activities deteriorated from Rs.0.93 crore in FY19 to Rs.0.57 crore in FY20 due to higher working capital gap. Further, the operating cycle remained elongated at 103 days in FY20 on account of higher collection period.

Further, as per banker interaction, the company has availed GECL fund of Rs 1.39 Crore under COVID-19 relief measures and the bank has also provided FITL loan of Rs 0.27 Crore for interest deferment on Cash credit limit. Furthermore, the company has availed moratorium facility from March 2020-August 2020 as per RBI guidelines.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Rating](#)

[CARE's default recognition policy](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios - Non Financial Sector](#)

[Liquidity Analysis for Non-Financial Sector Entities](#)

### About the Company

Bhilwara (Rajasthan) based SSPL was initially incorporated in the name of Sairam Suitings Private Limited in 2003 by Mr Kamal Singh Jain along with his son, Mr Amit Kumar Mahnot. However, in July, 2014, the name of the company changed to its current form. SSPL is primarily engaged in the business of manufacturing of synthetic grey fabrics from polyester yarn and outsources the processing work required for the manufacturing of finished fabrics on job work basis to the nearby process house located at Bhilwara. Further, the company also does trading of grey and finished fabrics. The manufacturing facility of SSPL is located at Bhilwara with total of 56 sulzar looms having an installed capacity of 36 Lakh Meters Per Annum (LMPA) as on March 31, 2019. The company caters to domestic market and sells its products through the network of its agents located all over India under the brand name of "SSPL".

Brief Financials (Rs. crore)	FY19(A)	FY20 (A)
Total operating income	25.80	28.17
PBILDT	1.26	1.48
PAT	0.02	0.04
Overall gearing (times)	2.36	2.52
Interest coverage (times)	1.69	1.57

\*A: Audited

**Status of non-cooperation with previous CRA:** None

**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 for this firm:** Annexure 4

**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	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B+; Stable (23-Mar-20)	1)CARE B+; Stable (05-Mar-19)	1)CARE B+; Stable (08-Mar-18)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B+; Stable (23-Mar-20)	1)CARE B+; Stable (05-Mar-19)	1)CARE B+; Stable (08-Mar-18)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-Not Applicable**

**Annexure 4: Complexity level of various instruments rated for this firm**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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