

M. Sundardas And Sons

March 23, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	8.91	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	8.91 (Rs. Eight Crore and Ninety-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from M. Sundardas And Sons to monitor the rating(s) vide e-mail communications dated October 08, 2021, February 26, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on M. Sundardas And Sons bank facilities will now be denoted as **CARE B+; Stable; 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(s).

The rating has been revised on account of non-availability of requisite information due to non-cooperation by M. Sundardas And Sons with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

Detailed description of the key rating drivers

At the time of last rating on March 23, 2021 the following were the rating strengths and weaknesses.

Key Rating Weakness

Modest scale of operations

The scale of operations of the firm remained modest marked by a total operating income of Rs. 82.55 crore in FY20 (refers to period April 01 to March 31) as against Rs.82.61 crore in FY19 and low net worth of Rs. 6.94 crore as on March 31, 2020. Further for 10MFY21 (refers to period April 01-January 31) the firm has achieved sales of Rs. 47.96 crore.

Moderation in Profitability Margins

The profitability margin of the firm marked by PBILDT declined by 27 bps and stood at 4.84% in FY20 from 5.11% in FY19 on account of price variations in viscose yarn procurement during the period. Further the PAT margin of the firm also declined by 12 bps at 1.01% in FY20 as against 1.13% in FY19 due to decrease in PBILDT margin in absolute basis coupled with marginal increased interest costs at the back of increasing debt levels.

Deteriorated capital structure and debt coverage indicators

The capital structure of the firm marked by overall gearing deteriorated to 2.53x as on March 31, 2020 as compared to 1.52x as on March 31, 2019 owing to increase in working capital utilization levels as on balance sheet date along with interest loaded unsecured loans from related parties availed for business purposes as against decline in tangible net worth due to capital withdrawals by the partners. In addition, the firm availed fresh inland LC facility for procurement of raw materials during the review period. With respect to the debt coverage indicators, the same as indicated by Total debt to gross cash accruals has deteriorated to 8.26x as of March 31, 2020 from 5.31x as of March 31, 2019 due to increase in total debt levels coupled with almost same level of cash accruals. The interest coverage ratio remained stable at 2.41x in FY20 as against 2.64x in FY19.

Highly fragmented industry with intense competition from large number of players

MS faces stiff competition in the business from large number of established and unorganized players in the market. Competition gets strong with the presence of unorganized players leading to pricing pressures. However, improved demand scenario in the markets enables well for the entity.

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

*Issuer did not cooperate; based on best available information

Constitution of the entity as partnership with inherent risk of withdrawal of capital

Partnership nature of business has an inherent risk of withdrawal of capital by the partners at the time of their personal contingencies resulting in erosion of capital base leading to adverse effect on capital structure. As said, the partners have withdrawn capital to the tune of Rs. 2.26 crore as of March 31, 2020.

Key Rating Strengths

Vast Experience of the partners in the textile industry

Mr. Laxmichand Sundardas, Mr. Hassanand Sundardas and Mr. Harilal Sundardas have more than four decades of experience in manufacturing of fabric. Mr. Laxmichand Sundardas and Mr. Harilal Sundardas have been associated with the firm since 1965. Mr. Hassanand Sundardas has been associated since 1978. The vast experience of the partners along with experienced senior level management is expected to benefit MS at large

Satisfactory operating cycle albeit elongated collection period

The operating cycle of the firm continues to remain satisfactory. The firm avails credit period upto 60-75 days from its suppliers and extends the credit upto 90 days to its customers on an average considering the competition in the industry. The firm's production is based on the orders received. The average inventory period stood at 30 days in FY20 (21 days in FY19). Due to comfortable inventory period and satisfactory creditor's days, the working capital cycle remained comfortable during review period marked by operating cycle of 55 days in FY20 (50 days in FY19).

Clientele base in three states and three Asian countries

The MS's clientele base comprises of customers located in the states of Maharashtra, Karnataka and New Delhi. The customers of MS include Basant Exports, Modellama Exports, Kapil Trading Corporation and Taramont Products. The firm also exports to Asian countries like Vietnam, Bangladesh and Mauritius. The overseas customers of the firm include Caniffa Joint Stock Company, Experience Clothing Company Limited and Section 7 Limited.

Liquidity: Stretched

The liquidity position of the firm remained stretched and the company operates in a working capital-intensive industry marked by higher collection days. However, the firm generated sufficient cash accruals to meet its long-term debt obligations. The current ratio remained moderate at 1.02x as on March 31, 2020 and the cash and bank balance as on March 31, 2020 stood at Rs. 0.44 crore., The average utilization of working capital limits remained high at 90% for the past twelve months period ended January 2021. The firm has not availed any moratorium as per RBI COVID-19 guidelines.

Analytical approach: Standalone

Applicable Criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

About the Firm

M. Sundardas and Sons (MS) was established in 1965 as partnership concern by Ms. Haridevi Bai, Mr Laxmichand Sundardas HUF and Mr Harilal Sundardas HUF. Later the partnership was reconstituted among Mr Laxmichand Sundardas HUF, Mr. Hassanand Sundardass and Mr. Harilal Sundardas with a profit-sharing ratio of 50:25:25. MS is engaged in manufacturing of cotton, viscose and blended fabrics.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021	9MFY22
Total operating income	82.61	82.55	NA	NA
PBILDT	4.23	3.99	NA	NA
PAT	0.94	0.84	NA	NA
Overall gearing (times)	1.52	2.53	NA	NA
Interest coverage (times)	2.64	2.41	NA	NA

A: Audited; NA: Not 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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	May 2021	0.23	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	2.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft		-	-	-	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund-based limits		-	-	-	1.68	CARE B+; Stable; ISSUER NOT COOPERATING*

*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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	0.23	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (23-Mar-21) 2)CARE BB-; Stable (01-Mar-21)	1)CARE BB-; Stable (04-Dec-19) 2)CARE BB-; Stable; ISSUER NOT COOPERATING * (21-Aug-19)	1)CARE BB-; Stable (18-May-18)
2	Fund-based - LT-Cash Credit	LT	2.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (23-Mar-21) 2)CARE BB-; Stable (01-Mar-21)	1)CARE BB-; Stable (04-Dec-19) 2)CARE BB-; Stable; ISSUER NOT COOPERATING * (21-Aug-19)	1)CARE BB-; Stable (18-May-18)
3	Fund-based - LT-Bank Overdraft	LT	5.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (23-Mar-21)	-	-
4	Fund-based - LT-Proposed fund-based limits	LT	1.68	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (23-Mar-21)	-	-

*Issuer did not cooperate; based on best available information

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Proposed fund-based limits	Simple
4	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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