

Konark Synthetic Limited

December 17, 2020

Ratings

| Facilities/Instruments | Amount (Rs. crore) | Ratings | Rating Action |
|------------------------------|---|---|--|
| Long Term Bank Facilities | 19.25 | CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 9.70 | CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Bank Facilities | 28.95 (Rs. Twenty-Eight Core and Ninety-Five Lakhs Only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 09, 2019, placed the rating(s) of Konark Synthetic Limited (KSL) under the 'issuer non-cooperating' category as KSL had failed to provide information for monitoring of the rating. KSL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated December 03, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating factors in ongoing delays in servicing of debt obligations due to stretched liquidity position, moderate scale of operations, fluctuating operating margin and net losses, leveraged capital structure and weak debt coverage indicators, working capital intensive nature of operations, presence in highly fragmented and competitive textile industry, established track record and strong promoter experience in the fabric trading industry along with group support and location advantage.

Detailed description of the key rating drivers

At the time of last rating on December 08, 2019 the following were the rating strengths and weaknesses (updated for the information available from Bombay Stock Exchange and Registrar of Companies):

Key rating Weakness

Ongoing delay in debt servicing: As per disclosure of defaults on payment on interest / repayment of principal on loans from banks / financials institution submitted by the company to Bombay Stock Exchange as on December 10, 2020, there have been ongoing delays in payment of interest / repayment of principal amount, which were due for repayment beyond 30 days.

Poor liquidity: Poor liquidity marked by net cash losses incurred by the company in FY20, when compared to repayment obligations which has constrained the ability of the company to repay its debt obligations on a timely basis. Further the payment have been delayed due to overall impact and economic crises laid by COVID-19 pandemic.

Key rating Strengths

Established track record and strong promoter experience in the fabric trading industry along with group support: KSL was established in 1984 and has a track record of more than three decades in the manufacturing of specialty fancy yarns and Trading of fabric industry. Mr. Prakash Dalmia, the key promoter (Chairman & MD), has an extensive experience in this domain of more than three decade and looks after the overall management of the company. On account of long track record of operations and experience of the promoters, the company has established its own brand as konark specialty yarn.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

[Criteria for Short Term Instruments](#)

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

About the Company

Konark, incorporated in 1984, is primarily engaged in the manufacturing specialty yarn and fabric. Apart from the manufacturing activities the company is also involved in job work for ready-made garments and trading of processed fabrics. The company has three units namely Yarn unit in Silvaasa, Fabric unit in Sarigram (Gujarat) and the Garment manufacturing unit in Bangalore and has been certified as an ISO 9001:2000 company. The Company's product range includes yarn dyed and piece dyed polyester fabrics and its blends with cotton, linen, rayon and silk. It provides texturized and air-texturized yarn in India. Its apparel product range includes trousers, shirts and shorts.

| Brief Financials (Rs. crore) | FY19 (A) | FY20 (A) | H1FY21 (UA) |
|------------------------------|----------|----------|-------------|
| Total operating income | 78.21 | 71.95 | 1.32 |
| PBILDT | 4.60 | 1.61 | -9.91 |
| PAT | -1.60 | -16.53 | 5.78 |
| Overall gearing (times) | 1.71 | 4.76 | 2.06 |
| Interest coverage (times) | 1.11 | 0.35 | -4.96 |

A: Audited; UA: Un-Audited

Status of non-cooperation with previous CRA: India Ratings and Research (Ind-Ra) has downgraded and put under Issuer Not Cooperating category its ratings on the bank facilities of Konark Synthetic Limited vide its press release dated February 12, 2020.

Any other information: Not Applicable

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

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 | - | - | - | 19.25 | CARE D; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-BG/LC | - | - | - | 9.25 | CARE D; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Forward Contract | - | - | - | 0.45 | CARE D; 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 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-Cash Credit | LT | 19.25 | CARE D; ISSUER NOT COOPERATING * | - | 1)CARE D; ISSUER NOT COOPERATING* (09-Dec-19) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (22-Aug-19) | 1)CARE B-; Stable (27-Dec-18) | - |
| 2. | Non-fund-based - ST-BG/LC | ST | 9.25 | CARE D; ISSUER NOT COOPERATING * | - | 1)CARE D; ISSUER NOT COOPERATING* (09-Dec-19) 2)CARE A4; ISSUER NOT COOPERATING* (22-Aug-19) | 1)CARE A4 (27-Dec-18) | - |
| 3. | Non-fund-based - ST-Forward Contract | ST | 0.45 | CARE D; ISSUER NOT COOPERATING * | - | 1)CARE D; ISSUER NOT COOPERATING* (09-Dec-19) 2)CARE A4; ISSUER NOT COOPERATING* (22-Aug-19) | 1)CARE A4 (27-Dec-18) | - |

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this company

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--------------------------------------|------------------|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Non-fund-based - ST-BG/LC | Simple |
| 3. | Non-fund-based - ST-Forward Contract | 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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

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