

AUGUST 26, 2015

CARE ASSIGNS 'CARE C+' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF SHIVA SPECIALITY YARNS LIMITED (FORMERLY KNOWN AS PUNJAB COTSPIN LTD.)

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	24	CARE C+ (Single C Plus)	Assigned
Short term Bank Facilities	1	CARE A4 (A Four)	Assigned
Total Facilities	25 (Rupees Twenty Five crore only)		

Rating Rationale

The ratings assigned to the bank facilities of the Shiva Speciality Yarns Limited (SSYL) are constrained by its weak financial risk profile marked by declining income, losses at the net level and weak solvency position. The ratings are also constrained by the working capital intensive nature of operations and high competition in the industry. The ratings, however, derive strength from the past experience of the promoters with long track record of operations, established dealer network and diversified revenue mix.

Going forward, the ability of the company to profitably scale up its operations, improve the profitability margins and manage the working capital requirements efficiently, will remain the key rating sensitivities.

Background

Shiva Speciality Yarns Limited (SSYL), formerly known as Punjab Cotspin Ltd. was originally promoted by the Singla family in 2005 at Bhatinda, Punjab. In November 2007, the company was acquired by Shiva Group. SSYL manufactures dyed polyester spun yarn and blended spun yarn with an installed capacity of 11,725 MTPA as on March 31, 2015. Almost all the raw material required is procured from the group companies. The Company primarily purchases its entire requirement of Polyester Staple Fibre (PSF) from Shiva Texfab Limited (STL). It also procures acrylic staple fibre from Yogindera Worsted Limited (YWL) (rated CARE C+/CARE A4).

On account of liquidity constraints, the debt of the company was restructured in FY15 (refers to the period April 1 to March 31). Post restructuring of the debt, the fund based working capital limits of the company were reduced from Rs.44 crore to Rs.40 crore and Rs.4 crore, carved out of the cash credit limit was restructured into working capital term loan. The repayment schedule of the existing term loans was also elongated post restructuring of the debt.

YWL registered a total operating income of Rs.125.9 crore during FY15 (Provisional) with net losses of Rs.6.99 crore as against a total operating income of Rs.164.42 crore with PAT of Rs.0.11 crore in FY14.

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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