

## Saidristi Suitings Private Limited

March 05, 2019

Rating			
Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remark
Long-term Bank Facilities	4.61	<b>CARE B+; Stable</b> <b>(Single B Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
<b>Total facilities</b>	<b>4.61</b> <b>(Rs. Four crore and sixty one lakhs only)</b>		

### Detailed Rationale & Key rating Drivers

The rating assigned to the facilities of Saidristi Suitings Private Limited (SSPL) continues to remain constrained on account of its modest scale of operations, moderate profitability margins, moderately leveraged capital structure, weak debt coverage indicators and stressed liquidity position. The rating, further, continues to remain constrained on account of vulnerability of profitability margins to raw material prices coupled with presence in a highly competitive and fragmented textile industry.

The rating, however, continues to derive strength from the long standing experience of the promoters with its established track record of operation and proximity to textile cluster of Bhilwara with ease of access of raw material and labour.

SSPL's ability to increase its scale of operations while improving profitability in light of the volatile raw material prices along with improvement in the solvency position as well as efficient management of working capital shall be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weakness

##### **Modest scale of operation and declining profitability margin**

The scale of operations of SSPL as indicated by Total Operating Income (TOI) grew modest at a Compounded Annual Growth Rate (CAGR) of around 5.33% in the last three financial years from Rs.20.75 crore in FY16 to Rs.23.02 crore as per FY18 results. Further, as per provisional result of 11MFY19, SSPL has achieved TOI of Rs.22.50 crore.

Profitability margins of the company have witnessed declining trend during past three financial years ended FY18 mainly on account of volatility associated with its primarily raw materials and higher cost of traded goods. The profitability of the company declined albeit stood moderate with PBILDT and PAT margin of 6.07% and 0.21% respectively in FY18 as against 6.59% and 0.04% respectively in FY17. During FY18, PBILDT margin of the company registered decline by 52 bps on the back of higher cost of raw material consumed including cost of traded goods. However, PAT margin of the company improved by around 16 bps in FY18. The GCA level of the company remains stagnant and reported GCA of Rs.0.52crore in FY18.

##### **Moderately leveraged capital structure**

Its capital structure continued to remain moderately leveraged with an overall gearing of 2.24 times as on March 31, 2018. The debt coverage indicators of the company remained weak with total debt to GCA of 13.21 times as on March 31, 2018 and interest coverage stood at 1.69 times in FY18.

##### **Moderate liquidity position**

The current ratio stood moderate at 1.32 times as on March 31, 2018 however, quick ratio stood below unity at 0.41 times as on March 31, 2017 mainly due to higher inventory holding. The company maintains inventory of 2-3 months, gives credit period of 15-30 days to its customers whereas makes the payment to suppliers within one month. It has utilized more than 90% of its working capital bank borrowings in last twelve month ended January 2019.

##### **Project for Solar Plant**

The company has installed the Solar Plant. The estimated cost of the project is Rs. 68 lakhs which is to be funded through a term loan of Rs. 51 Lakhs and remaining through unsecured loans.

#### Key Rating Strengths

##### **Proximity to textile cluster of Bhilwara with ease access of raw material and labour**

The main raw material of the company is polyester yarn. The manufacturing facility of the company is located in Bhilwara (Rajasthan) which is one of the largest textile clusters in India and majority of these industries are engaged in the manufacturing synthetic yarn accounting for nearly 40% of India's total synthetic yarn production and nearly 50% of

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

India's total polyester fabrics and suiting production. SSPL presence nearer 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.

**Analytical Approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

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

#### **About the company**

Bhilwara (Rajasthan) based Saidristi Suitings Private Limited (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, 2018. 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".

<b>Brief Financials (Rs. crore)</b>	<b>FY17(A)</b>	<b>FY18(A)</b>
Total operating income	21.21	23.02
PBILDT	1.40	1.40
PAT	0.01	0.05
Overall gearing (times)	2.23	2.24
Interest coverage (times)	1.61	1.69

*A-Audited*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

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

**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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**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	-	-	April, 2020	0.11	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	4.50	CARE B+; Stable

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	0.11	CARE B+; Stable	-	1)CARE B+; Stable (08-Mar-18)	1)CARE B+; Stable (20-Mar-17)	1)CARE B+ (04-Feb-16)
2.	Fund-based - LT-Cash Credit	LT	4.50	CARE B+; Stable	-	1)CARE B+; Stable (08-Mar-18)	1)CARE B+; Stable (20-Mar-17)	1)CARE B+ (04-Feb-16)

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