

Saidristi Suitings Private Limited

March 23, 2020

Rating			
Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	4.61	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Total	4.61 (Rupees Four crore and sixty- one lakh Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of Saidristi Suitings Private Limited (SSPL) continue to remain constrained on account of its modest scale of operations with declining profitability margins, moderate solvency position and stretched liquidity position. The ratings, further, continue to remain constrained on account of limited presence in the textile value chain and vulnerability of margins to volatile raw material prices in the highly fragmented and competitive industry.

The ratings, however, continue to derive strength from experienced promoters with established relationships with customers and suppliers, strong marketing and distribution network and presence in the textile cluster with ease of availability of raw material and labour.

Rating sensitivities

Positive Factor:

- Sustained increase in scale of operations of the company beyond Rs.28.00 crore with geographical and customer diversification with repeated order in hands
- Sustained improvement/maintaining of profitability margins over a period of time with registration of PBILDT margin beyond 5.15%

Negative Factor:

- Any debt-funded project undertaken by the company which results in deterioration of capital structure beyond 2.50 times
- Any decrease in orders which results in deterioration in Total Operating Income below Rs.23 crore

Detailed description of the key rating drivers

Key rating Weaknesses

Modest scale of operations and declining profitability margin

The scale of operations of SSPL as indicated by Total Operating Income (TOI) grew at a Compounded Annual Growth Rate (CAGR) of around 10.29% in the last three financial years ended FY19. Despite continuous growth in scale of operations, the scale of operations stood modest at Rs.25.80 crore in FY19.

Further, as per provisional result of 11MFY20, SSPL has achieved TOI of Rs.26.00 crore.

Profitability margins of the company have witnessed declining trend during past three financial years ended FY19 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 4.87% and 0.10% respectively in FY19 as against 6.07% and 0.21% respectively in FY18. Further, the GCA level of the company deteriorated by 4.58% over FY18 and reported GCA of Rs.0.50 crore in FY19.

Moderate solvency position

The capital structure continued to remain leveraged with an overall gearing of 2.36 times as on March 31, 2019, deteriorated marginally from 2.24 times as on March 31, 2018; attributed to disbursement of term loan and higher utilization of working capital bank borrowings as on balance sheet date. Further, major portion i.e. almost 75% of total debt of the company comprises of working capital bank borrowing, hence the company does not have any major long term debt obligation.

Furthermore, the debt service coverage indicators of the company stood moderate at 14.73 times as on March 31, 2019 as against 13.21 times as on March 31 2018 owing to deterioration in gross cash accruals. Moreover, interest coverage stood moderate at 1.69 times in FY19

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

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 analysis: Stretched

The business of the company is stretched with 80-90% utilization of its working capital bank borrowings during last 12 months ended February, 2020. Further, the liquidity ratios of the company remained moderate marked by current and quick ratio of 1.25 times and 0.40 times respectively as on March 31, 2019. Cash flow from operating activities improved from Rs.0.69 crore in FY18 to Rs.0.93 crore in FY19 due to lower working capital gap. However, the operating cycle remained elongated at 110 days in FY19, improved from 120 days in FY18 owing to decrease in collection period and inventory period which is offset by increase in creditor period.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology - Manufacturing companies](#)

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

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)	FY18 (A)	FY19 (A)
Total operating income	23.02	25.80
PBILDT	1.40	1.26
PAT	0.05	0.02
Overall gearing (times)	2.24	2.36
Interest coverage (times)	1.69	1.69

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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-Term Loan	-	-	September 2024	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	0.11	CARE B+; Stable	-	1)CARE B+; Stable (05-Mar-19)	1)CARE B+; Stable (08-Mar-18)	1)CARE B+; Stable (20-Mar-17)
2.	Fund-based - LT-Cash Credit	LT	4.50	CARE B+; Stable	-	1)CARE B+; Stable (05-Mar-19)	1)CARE B+; Stable (08-Mar-18)	1)CARE B+; Stable (20-Mar-17)

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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