

Sanrhea Technical Textile Limited

August 01, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term/Short term Bank Facilities	8.30	CARE BB; Stable/CARE A4 (Double B; Outlook; Stable/ A Four)	Rating revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and reaffirmed ST ratings
Short term Bank Facilities	0.18	CARE A4 (A Four)	Reaffirmed
Total	8.48 (Rupees Eight Crore and Forty Eight Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Sanrhea Technical Textile Limited (STTL) takes into account the growth in the scale of operations, coupled with stable profitability and cash accruals during FY19 (refers to the period from April 01 to March 31)

The ratings however continue to remain constrained on account of moderately leveraged capital structure, moderate debt coverage indicators and moderate liquidity position along with its presence in the fragmented nature of technical textile industry with high degree of competition.

The ratings continue to derive strength from the experienced promoters, its established track record and reputed clientele.

The ability of STTL to sustain the increase in its scale of operations, thereby improving its profitability and efficient management of its working capital requirement will remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderately leveraged capital structure and moderate debt coverage indicators

As on March 31, 2019, the capital structure of STTL has deteriorated over the previous year and stood moderately leveraged as marked by an overall gearing ratio stood at 1.61x as against 1.46x as on March 31, 2018. In FY19, Debt coverage indicators improved marginally and stood moderate marked by interest coverage ratio of 3.01x as against 2.07x during FY18 due to decline in interest & finance charges. Total debt to GCA has improved and stood at 5.49x as on March 31, 2019 as against 6.50x as on March 31, 2018 due to decrease in the total debt as on balance sheet date. Total debt stood at Rs.11.03 as on March 31, 2019 comprising of Rs.7.45 crore of working capital borrowings, term loan of Rs.0.60 crore, Rs.1.11 crore of vehicle loans and Rs.1.86 crore of inter- corporate deposits as against Rs.8.04 crore as on March 31, 2018.

Key Rating Strengths

Growing scale of operations along with healthy profitability level

During FY19, Total Operating Income (TOI) of the company grew by 51.35% and stood at Rs.46.13 crore as against Rs.30.53 crore during FY18 mainly on account of demand from existing customers.

Profit margins stood fluctuating for past three years. During FY19, PBILDT margin has declined and stood at 7.52% as against 8.48% during FY18. However, PAT margin has improved and stood at 2.55% during FY19 as against to 1.59% during FY18 due to decline in depreciation and interest & finance cost during the year. Gross Cash Accruals (GCA) has improved marginally and stood at Rs.1.92 crore for FY19 as compared to Rs.1.47 crore during FY18 mainly due to increased PAT level in absolute terms.

Experienced promoters with established track record of operations and presence of reputed clientele

Mr Tushar Patel has experience of more than two decades in fabric industry. He is engaged with STTL from its incorporation. He handles overall operations of STTL. Other directors also hold moderate experience in same line of business.

STTL is in operations from the year 1983. It has long standing relations with the suppliers and customers. The company imports raw material mainly from China, Turkey and Germany. STTL has association with reputed clientele for more than a decade.

Adequate Liquidity

Liquidity position stood moderate as on March 31, 2019 as marked by current ratio stood at 1.14 times as against 1.22 times as on March 31, 2018. During FY19, working capital cycle improved and stood at 85 days as against 118 days during FY18 on

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

account of decline in inventory and collection period. Average utilization of its working capital facilities remained in same line as previous year at 95% during past 12 months period ended June 2019. Net cash flow from operating activities stood negative at Rs.0.32 crore for FY19 as against to Rs.2.13 crore in FY18 due to increase in inventory level along with decrease in creditors as on balance sheet date. Cash and bank balance stood at Rs.0.03 crore as on March 31, 2019.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning outlook to credit ratings](#)

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

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

About the company

Gandhinagar (Gujarat) based STTL was incorporated in June 1983 and named as of "Kruti Marketing Limited" and later renamed as "Mahendra Polycot Limited". In April 1997, entity was named as Sanrhea Technical Textile Limited (STTL) and got listed on platform of Bombay Stock Exchange. STTL is engaged in manufacturing of technical fabrics namely dipped chafer fabric, liner fabric, belting fabrics and various types of nylons and polyesters. These products are used in tyre industry, conveyer belts, rubber vulcanizing industry, RFL dipping plants, etc. STTL is an ISO 9001:2008 certified company. The company has 37 projectile looms with an installed capacity of 160 tons per month based on type of fabric manufactured from installed looms as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	30.53	46.13
PBILDT	2.59	3.47
PAT	0.49	1.17
Overall gearing (times)	1.46	1.61
Interest coverage (times)	2.07	3.01

A: Audited

During Q1FY20 (Provisional; refers to the period from April 01 to June 30), STTL has achieved TOI of Rs.9.97 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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/ ST-Cash Credit	-	-	-	8.30	CARE BB; Stable / CARE A4
Non-fund-based - ST-Bank Guarantees	-	-	-	0.18	CARE A4

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/ST-Cash Credit	LT/ST	8.30	CARE BB; Stable / CARE A4	-	1)CARE B+; Stable / CARE A4 (03-Dec-18) 2)CARE B+; Stable / CARE A4 (22-Aug-18) 3)CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* (11-Jun-18)	1)CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* (18-Apr-17)	1)CARE BB- / CARE A4 (05-Apr-16)
2.	Non-fund-based - ST-Bank Guarantees	ST	0.18	CARE A4	-	1)CARE A4 (03-Dec-18) 2)CARE A4 (22-Aug-18) 3)CARE A4; ISSUER NOT COOPERATING* (11-Jun-18)	1)CARE A4; ISSUER NOT COOPERATING* (18-Apr-17)	1)CARE A4 (05-Apr-16)

*based on best available information

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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