

## Sanrhea Technical Textile Limited

August 22, 2018

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long term/Short term Bank Facilities	8.30	<b>CARE B+; Stable/CARE A4 (Single B Plus; Outlook; Stable/ A Four)</b>	Rating revised from CARE B; Stable/CARE A4 (Single B; Outlook: Stable/ A Four) and removed from issuer not cooperating
Short term Bank Facilities	0.18	<b>CARE A4 (A Four)</b>	Rating reaffirmed and removed from issuer not cooperating
<b>Total</b>	<b>8.48 (Rupees Eight Crore and Forty Eight Lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the ratings of Sanrhea Technical Textile Limited (STTL) and in line with the extant SEBI guidelines, CARE revised the ratings of bank facilities of the company to 'CARE B; ISSUER NOT COOPERATING' and 'CARE A4; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information to CARE. CARE has carried out a full review of the ratings and the ratings stand at 'CARE B+; Stable' and 'CARE A4'.

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Sanrhea Technical Textile Limited (STTL) are continue to remain constrained on account of fluctuating profitability, moderately leveraged capital structure, moderate debt coverage indicators and moderate liquidity position in FY18 (refers to the period April 1 to March 31). The ratings further constrained on account on going capex for technology up gradation along with its presence in the fragmented nature of industry with high degree of competition.

The ratings continue to derive strength from its growing scale of operations along with experience of the promoters, established track record and reputed clientele.

The ability of STTL to increase its scale of operations by timely execution of orders in hand and strengthening its order book with efficient working capital management will remain the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Fluctuating profit margins

Profit margins stood fluctuating for past three years. During FY18, PBILDT margin has declined by 213 bps and stood at 8.48% as against to 10.62% during FY17. Consequently, the PAT margin has also declined by 167 bps and stood at 1.59% during FY18 as against to 3.27% during FY17 due to higher depreciation and interest & finance cost during the year. Gross Cash Accruals (GCA) declined marginally and stood at Rs.1.47 crore for FY18 as compared to Rs.1.56 crore during FY17.

##### Moderately leveraged capital structure and moderate debt coverage indicators

As on March 31, 2018, the capital structure of STTL has improved over the previous year and stood moderately leveraged as marked by an overall gearing ratio stood at 1.46x as against 2.53x as on March 31, 2017. In FY18, Debt coverage indicators stood at moderate position marked by an interest coverage ratio stood moderate at 2.07x as against 2.28x during FY17 due to increase in interest & finance charges. Total debt to GCA has deteriorated and stood at 5.49x as on March 31, 2018 as against 6.50x as on March 31, 2017 due to decrease in the total debt.

##### Moderate Liquidity

Liquidity position stood moderate as on March 31, 2018 as marked by current ratio stood at 1.22 times as against 1.04 times as on March 31, 2017. During FY18, working capital cycle stood elongated at 118 days as against 121 days during FY17 on account of decline in inventory period. Average utilization of its working capital facilities remained 95% during past 12 months period ended July 2018.

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

\*Issuer did not cooperate; Based on best available information

### On-going capex

STTL is ongoing a capex for replacement of old machineries with new machineries for technology up-gradation amounting to Rs.1.08 crore which will be completed by December 2018. The same is to be funded through term loan of Rs.0.60 crore and internal accruals and unsecured loans of Rs.0.48 crore.

### Key Rating Strengths

#### Growing scale of operations

During FY18, Total Operating Income (TOI) of the company grew by 15.05% and stood at Rs.30.53 crore as against Rs.26.54 crore during FY17 mainly on account of demand from existing customers.

#### Experienced promoters

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.

#### Established track record of operations and reputed clientele

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.

**Analytical Approach:** Standalone

#### Applicable Criteria

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

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

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

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

[Criteria for Short Term Instruments](#)

#### 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 29 projectile looms with an installed capacity of 160 tons per month based on type of fabric manufactured from installed looms as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	26.54	30.53
PBILDT	2.82	2.59
PAT	0.87	0.49
Overall gearing (times)	2.53	1.46
Interest coverage (times)	2.28	2.07

A: Audited

Till 3MFY19 (Provisional), STTL has achieved clocked of Rs.9.81 crore.

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

**Any other information:** Not Applicable

**Rating History (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.

**Analyst Contact:**

Name: Mr Kalpesh Patel

Tel: (079) 40265611

Mobile: +91- 99090 26322

Email: [kalpesh.patel@careratings.com](mailto:kalpesh.patel@careratings.com)**About CARE Ratings:**

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**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 B+; 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 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/ ST-Cash Credit	LT/ST	8.30	CARE B+; Stable / CARE A4	1)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; 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

**CONTACT****Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 9198190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Ms. Rashmi Narvankar**

Cell: + 9199675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. Ankur Sachdeva**

Cell: + 9198196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Mr. Saikat Roy**

Cell: + 9198209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**PUNE****Mr. Pratim Banerjee**9th Floor, Pride KumarSenate,  
Plot No. 970, Bhamburda, SenapatiBapat Road,  
ShivajiNagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

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