

Sanrhea Technical Textile Limited

December 03, 2018

Ratings

| Facilities | Amount (Rs. crore) | Ratings | Rating Action |
|--------------------------------------|---|---|---------------|
| Long term/Short term Bank Facilities | 8.30 | CARE B+; Stable/CARE A4 (Single B Plus; Outlook; Stable/ A Four) | Reaffirmed |
| 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 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(Audited) (refers to the period April 1 to March 31) and H1FY19 (Provisional). 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.

During H1FY19 (Provisional), STTL profitability stood moderate marked by PBLIDT margin of 6.97% and PAT margin of 1.91% during the year.

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.

As on September 30, 2018 (Prov.), capital structure stood moderately leveraged marked by overall gearing ratio of 1.53 times and debt coverage indicators stood moderate marked by TDGCA of 5.04x and interest coverage ratio of 3.27x.

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. As on September 30, 2018 current ratio stood at 1.21 times.

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. During H1FY19(Prov.), STTL registered total operating income of Rs.22.52 crore.

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 8 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) | H1FY19 (Prov.) |
|------------------------------|----------|----------|----------------|
| Total operating income | 26.54 | 30.53 | 22.52 |
| PBILDT | 2.82 | 2.59 | 1.57 |
| PAT | 0.87 | 0.49 | 0.43 |
| Overall gearing (times) | 2.53 | 1.46 | 1.53 |
| Interest coverage (times) | 2.28 | 2.07 | 3.27 |

A: Audited; Prov: Provisional.

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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) 2) CARE B+; Stable / CARE A4 (August 22, 2018) | 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) 2) CARE B+; Stable / CARE A4 (August 22, 2018) | 1)CARE A4; ISSUER NOT COOPERATING* (18-Apr-17) | 1)CARE A4 (05-Apr-16) | - |

**based on best available information*

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