

Sanrhea Technical Textiles Limited

November 11, 2020

Ratings

Facility	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term /Short Term Bank facilities	-	-	Reaffirmed at CARE BB-; Stable/ CARE A4 (Double B Minus; Outlook: Stable/ A Four) and withdrawn
Short Term bank facilities	-	-	Reaffirmed at CARE A4 (A Four) and withdrawn
Total facilities	-		

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reviewed the ratings assigned to the bank facilities of Sanrhea Technical Textiles Limited (STTL) to CARE BB-; Stable/CARE A4 (Double B Minus; Outlook: Stable/ A Four) and has simultaneously withdrawn it, with immediate effect. The rating assigned to the bank facilities of STTL continue to remain constrained on account of moderate scale of operations, net losses booked and weak debt coverage indicators during FY20 (FY; refers to period from April 1 to March 31). Further, ratings continue to remain constrained on account of moderate capital structure 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 of operations and reputed clientele.

The rating withdrawal is at the request of STTL and 'No Objection' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations

During FY20, Total Operating Income (TOI) of the company continued to remain moderate, albeit declined by 26% and stood at Rs.34.38 crore as against Rs.46.13 crore during FY19 mainly on account of decline in demand from existing customers.

Net losses booked during FY20

During FY20, PBILDT margin declined by 280 bps y-o-y to 4.73% as against 7.52% during FY19. Decline in PBILDT margin was mainly on account of increase in employee costs during the year. Consequent to a dip in PBILDT margin and a proportionate increase in depreciation and interest costs led by purchase of new textile looms during Q4FY19, STTL booked net losses to the tune of Rs.0.99 crore in FY20 against net profit of Rs.1.17 crore in FY19. Resultantly, Gross Cash Accruals (GCA) also declined significantly and stood thin at Rs.0.27 crore for FY20 as compared to Rs.1.92 crore during FY19. Further, during Q1FY21 STTL booked operational losses at Rs.0.23 crore with net loss of Rs.0.85 crore.

Weak debt coverage indicators

Debt coverage indicators deteriorated and stood weak during FY20, marked by modest interest coverage ratio at 1.21x as against 3.01x during FY19 due to lower PBILDT level. Also, total debt to GCA deteriorated and stood weak at 38.55 years as on March 31, 2020 as against 5.74 years as on March 31, 2019 led by decline in GCA level during the year.

Moderate capital structure

As on March 31, 2020, the capital structure of STTL continued to remain moderate as marked by an overall gearing ratio stood at 1.83x as against 1.61x as on March 31, 2019. Marginal deterioration was mainly on account of decrease in tangible net worth as on balance sheet date due to net losses booked during FY20.

Further it is to be noted that STTL had availed moratorium of 6 months from March 2020 to August 2020 for its cash credit limit interest under COVID-19 Relief Package. Also, it has availed Funded Interest Term Loan (FITL) of Rs.0.36 crore.

Presence in highly fragmented and competitive cotton yarn industry

ASL operates in highly fragmented and unorganized market of the textile industry marked by large number of small sized players. The industry is characterized by low entry barrier due to minimal capital requirement and easy access to customers

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

and supplier. Also, the presence of big sized players with established marketing & distribution network results into intense competition in the industry.

Key Rating Strengths

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 operational 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

[Policy on Withdrawal of ratings](#)

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - 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 9001:2015 certified company. The company has 44 projectile looms with an installed capacity of 160 tons per month based on type of fabric manufactured from installed looms as on March 31, 2020.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	46.13	34.38
PBILDT	3.47	1.63
PAT	1.17	-0.99
Overall gearing (times)	1.61	1.83
Interest coverage (times)	3.01	1.21

A: Audited

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	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT/ ST-Cash Credit	LT/ST	-	-	1)CARE BB-; Stable / CARE A4 (04-Aug-20)	1)CARE BB; Stable / CARE A4 (01-Aug-19)	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)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	1)CARE A4 (04-Aug-20)	1)CARE A4 (01-Aug-19)	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)

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT/ ST-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

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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