

Sanrhea Technical Textiles Limited

June 11, 2018

Rating

| Facilities/Instruments | Amount (Rs. crore) | Ratings ¹ | Rating Action |
|--|---|--|---|
| Long term Bank Facilities/ Short term Bank Facilities | 8.30 | CARE B; Stable/CARE A4; ISSUER NOT COOPERATING* (Single B; Outlook: Stable/A Four; ISSUER NOT COOPERATING*) | Issuer not cooperating; Based on best available information |
| Short term Bank Facilities | 0.18 | CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*) | Issuer not cooperating; Based on best available information |
| Total | 8.48 (Rupees Eight Crores and Fourty Eight Lakhs only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Sanrhea Technical Private Limited to monitor the rating(s) vide e-mail communications/letters dated February 12, 2018, February 26, 2018, March 09, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The ratings of Sanrhea Technical Private Limited bank facilities will now be denoted as **CARE B; Stable/ CARE A4 ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings assigned to the bank facilities of Sanrhea Technical Private Limited (STPL) continue to remain constrained on account of its modest scale of operations, thin profitability and moderately leveraged capital structure, moderate debt coverage indicators and moderate liquidity position during FY18 (refers to the period April 1 to March 31). The ratings, also takes into considerations its presence in the fragmented nature of industry with high degree of competition.

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

The ability of STPL to increase its scale of operations, improve its profitability and capital structure with efficient working capital management are the key rating sensitivities.

Detailed description of the key rating drivers

At the time of last rating on March 31, 2017 the following were the rating strengths and weaknesses. (Updated for the information available from Registrar of Companies)

Key Rating Strengths

Experienced promoters

Mr. Tushar Patel, aged 50 years, has experience of more than two decades in fabric industry. He is engaged with STTL from its incorporation. He handles overall operations of STTL. All other directors handle second level of management and their roles are non-executive in the 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. Customers are well reputed companies like Apollo Tyres Limited, Sempertrans India Private Limited (Rated: CARE BBB; Stable/CARE A2), Phoenix Conveyor Belts India Private

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

*Issuer did not cooperate; Based on best available information

Limited, Zenith Industrial Rubber Products Private Limited, Mega Rubber Technologies Private Limited and Jonson Rubber Industries Limited

Key Rating Weaknesses

Modest scale of operations and thin profitability

During FY18 (Prov.), TOI stood at Rs.31.41 crore as against Rs.29.79 crore in FY17. During FY18 (Prov.), PBILDT margin of STTL declined and stood at 9.04% as against 9.50% during FY17 and PAT margin stood at 1.46% during FY18 as against 2.82% during FY17.

Moderately leveraged capital structure and debt coverage indicators

As on March 31, 2018 (Prov.) capital structure of the company improved marginally and stood moderately leveraged marked by overall gearing of 1.45 times as against 2.55 times in FY16. Also debt coverage indicators improved marked by TDGCA at 5.63 years in FY18 as against 6.85 years in FY17 on account of improvement in GCA level during the year. During FY18, Interest coverage ratio stood at 2.27 times as against 2.24 times in FY17.

Moderate Liquidity

As on March 31, 2018 (Prov.), STTL's current ratio improved and stood moderate at 1.23 times as against 1.17 times as on March 31, 2017.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

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

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

About the Company

Gandhinagar-based (Gujarat), STTL was originally incorporated in June, 1983 in the name of "Kruti Marketing Limited" which was again renamed as "Mahendra Polycot Limited" in March 1997. The said company was renamed as STTL in April, 1997. It is listed on 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.

| Brief Financials (Rs. crore) | FY17 | FY18 |
|------------------------------|-------|-------|
| Total operating income | 29.79 | 31.41 |
| PBILDT | 2.83 | 2.84 |
| PAT | 0.84 | 0.46 |
| Overall gearing (times) | 2.55 | 1.45 |
| Interest coverage (times) | 2.24 | 2.27 |

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

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also

recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 0.18 | CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information |

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

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; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information | - | 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; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information | - | 1)CARE A4; ISSUER NOT COOPERATING* (18-Apr-17) | 1)CARE A4 (05-Apr-16) | - |

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

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