Santaram Spinners Limited

January 18, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	2.80	**CARE B+; Stable [Single B Plus; Outlook: Stable]**	Reaffirmed
Long-term/Short-term Bank Facilities	8.00	**CARE B+; Stable/CARE A4 [Single B Plus; Outlook: Stable]/ [A Four]**	Reaffirmed
Total Facilities	**10.80 (Rupees Ten crore and Eighty lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Santaram Spinners Limited (SSL) continue to remain constrained on account of its thin profitability due to limited value addition in the cotton ginning business, weak debt protection indicators and moderately leveraged capital structure. The ratings are further constrained by the working capital intensive operations and susceptibility of its operating margin to volatile cotton prices and seasonality associated with the availability of cotton coupled with impact of changes in government policy on cotton.

The ratings, however, favorably takes into consideration the vast experience of the promoters in the cotton ginning business, its strategic location within the cotton producing region of Gujarat and reputed clientele of SSL.

SSL's ability to increase its scale of operations while efficiently managing its working capital requirements along with the improvement in the profitability would be the key rating sensitivities.

Detailed description of the key rating drivers

SSL is operating in a highly fragmented industry with negligible ability to pass on increased raw material prices; the same is evident by low profitability margins and profitability. The company has low margins as reflected by profit before interest, lease, depreciation and tax (PBILDT) margin and profit after tax (PAT) margins of 1.84% and 0.15% respectively during FY16 (refers to the period April 1 to March 31). The capital structure of SSL continues to remain moderately leveraged with overall gearing of 2.24 times as on March 31, 2016. The debt coverage indicators also remained weak on account of low profitability and high interest cost. The liquidity profile of SSL continued to remain weak on account of high working capital requirements.

SSL was incorporated in 1983 by Mr Kalyan J Shah, who has more than three decades of experience in the ginning industry. SSL continues to benefit from the extensive experience of its promoters, strategic location and long standing relationship with some of the reputed customers.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[CARE's methodology for Short-term instruments]
[CARE's methodology for manufacturing companies]
[Financial ratios – Non-financial sector]

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

About the Company

SSL was incorporated in September 1983, as a private limited company and subsequently got converted into a public limited company in December 1994. SSL is engaged in cotton ginning and pressing with an installed capacity of 300 Metric Tons per Day (MTPD) along with the trading of kapas, ginned cotton and cotton seeds. SSL has also set up an oil mill with 11 oil expellers having an installed capacity of 10 MTPD for manufacturing raw oil and de-oiled cakes. The manufacturing facilities of the company are located at Kadi, Gujarat. SSL has also commissioned wind turbine generator of 0.80 MW at Jamnagar.

During FY16 (Audited), SSL reported TOI of Rs.169.54 crore (FY15: Rs.173.96 crore) with PAT of Rs.0.25 crore (FY15: Rs.0.21 crore). Based on unaudited financials of H1FY17, SSL reported a TOI of Rs.37.82 crore (H1FY16: Rs.63.21 crore) and PAT of Rs.0.23 crore (H1FY16: Rs.0.15 crore).

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

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-Term Loan	NA	NA	NA	0.30	CARE B+; Stable
Fund-based - LT/ ST-Bills discounting/ Bills purchasing	NA	NA	NA	8.00	CARE B+; Stable / CARE A4
Fund-based - LT-Cash Credit	NA	NA	NA	2.50	CARE B+; Stable

Annexure-2: Rating History of last three years

		Current Ratings			Rating history			
Sr. No.	**Name of the Instrument/Bank Facilities**	**Type**	**Amount Outstanding (Rs. crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2016-2017**	**Date(s) & Rating(s) assigned in 2015-2016**	**Date(s) & Rating(s) assigned in 2014-2015**	**Date(s) & Rating(s) assigned in 2013-2014**
1.	Fund-based - LT-Term Loan	LT	0.30	CARE B+; Stable	-	1)CARE B+ (February 23, 2016)	1)CARE B+ (July 24, 2014)	-
2.	Fund-based - LT/ ST-Bills discounting/ Bills purchasing	LT/ST	8.00	CARE B+; Stable / CARE A4	-	1)CARE B+ / CARE A4 (February 23, 2016)	1)CARE B+ / CARE A4 (July 24, 2014)	-
3.	Fund-based - LT-Cash Credit	LT	2.50	CARE B+; Stable	-	1)CARE B+ (February 23, 2016)	1)CARE B+ (July 24, 2014)	-

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