

Shiva Speciality Yarns Limited

January 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	69.89	CARE D (Single D)	Revised from CARE C+ (Single C Plus)
Short-term Bank Facilities	1.00	CARE D (Single D)	Revised from CARE A4 (A Four)
Total Bank Facilities	70.89 (Rupees Seventy crore and Eighty Nine lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Shiva Speciality Yarns Limited (SSYL) takes into account the ongoing delays in debt servicing due to the stressed liquidity position of the company.

Detailed description of the key rating drivers

On account of stressed liquidity position, there are ongoing delays in the servicing of the interest and principle repayments of the term loans. Furthermore, there are overdrawals in the cash credit limits which have not been settled for a period exceeding 30 days.

The total operating income of the company declined by ~3% to Rs.127.41 crore in FY16 (refers to the period April 1 to March 31), on account of lower demand. The company continued to remain in losses at the net level. The reported net loss stood at Rs.2.91 crore in FY16 as compared with Rs.5.21 crore of Net Loss in FY15. Despite the infusion of an additional equity capital of Rs.1.49 crore in FY16 the losses incurred during the year led to erosion of the networth. Furthermore, additional working capital term loans and vehicle loans were also availed during the year which led to weak capital structure with long-term debt to equity ratio and overall gearing ratio of 1.93x and 3.35x, respectively, as on March 31, 2016, as compared with 1.93x and 3.29x, respectively, as on March 31, 2015. The debt coverage indicators also remained weak with total debt to GCA of 31.18x, as on March 31, 2016, and interest coverage ratio of 1.34x, in FY16.

The operating cycle of SSYL remained elongated at ~163 days as on March 31, 2016, as compared with ~170 days as on March 31, 2015. The operations of the company therefore remain highly working capital intensive in nature with ongoing overdrewals in the cash credit limits for more than 30 days.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[CARE's policy on default recognition](#)

[Criteria for short-term instruments](#)

[Rating Methodology for Cotton Yarn Industry](#)

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

About the Company

Shiva Speciality Yarns Limited (SSYL), formerly known as Punjab Cotspin Limited, was incorporated in 2005. The company was promoted by the Singla family of Ludhiana and was engaged in the manufacturing of cotton yarn at its production facilities in Bhatinda, Punjab. It was subsequently acquired by the 'Shiva' Group in November 2007. The product profile was changed to include synthetic yarns like dyed polyester spun yarn, blended spun yarn and knitted cloth. It also engages in trading of polyester fibers. Other group entities of the company include Yogindera Worsted Limited (rated, 'CARE D'), K.K. Fibres Limited, Himachal Fibres Limited (rated, 'CARE C+/ CARE A4'), Indian Yarns Limited (rated, 'CARE D'), Shiva Textfabs Limited (rated, 'CARE D'), Shiva Spin N Knit Limited, etc. During FY16, SSYL has reported a net loss of Rs.2.91 crore on a total operating income of Rs.127.41 crore as against a net loss of Rs.5.21 crore on a total operating income of Rs.130.83 crore in FY15.

Status of non-cooperation with previous CRA: SMERA has suspended SSYL's ratings vide its press release dated July 14, 2015 on account of its inability to undertake the surveillance of ratings in absence of adequate information.

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

About CARE Ratings:

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Disclaimer

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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-Term Loan	-	-	September, 2022	29.97	CARE D
Fund-based - LT-Cash Credit	-	-	-	39.92	CARE D
Non-fund-based - ST-Bank Guarantees	-	-	-	1.00	CARE D

Annexure-2: Rating History for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history			
		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	49.02	Suspended	-	-	-	1)Suspended (05-Apr-13)
2.	Fund-based - LT-Cash Credit	LT	31.00	Suspended	-	-	-	1)Suspended (05-Apr-13)
3.	Fund-based - LT-Term Loan	LT	29.97	CARE D	-	1)CARE C+ (15-Sep-15) 2)CARE C+ (26-Aug-15)	-	-
4.	Fund-based - LT-Cash Credit	LT	39.92	CARE D	-	1)CARE C+ (15-Sep-15) 2)CARE C+ (26-Aug-15)	-	-
5.	Non-fund-based - ST-Bank Guarantees	ST	1.00	CARE D	-	1)CARE A4 (15-Sep-15) 2)CARE A4 (26-Aug-15)	-	-

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CIN - L67190MH1993PLC071691