

Shivram Synthetic Private Limited

September 29, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	10.00	CARE BB-; ISSUER NOT COOPERATING (CARE Double B Minus.; ISSUER NOT COOPERATING)	“Issuer not cooperating”
Total facilities	10.00 (Rs. Ten Crore only)		

Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Shivram Synthetic Private (SSPL), to monitor the rating vide e-mail communications/ letters dated September 11, 2017, September 08, 2017, August 04, 2017, July 19, 2017, July 06, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. Further, SSPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines CARE's rating on SSPL bank facilities will now be denoted as CARE BB-; ISSUER NOT COOPERATING; 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 rating.

Detailed description of the key rating drivers

At the time of last rating on June 28, 2016, the following were the rating strengths and weaknesses updated for the information available from Registrar of Companies)

Key Rating Weakness

Financial risk profile marked by moderate profitability, moderately stressed liquidity position and leveraged capital structure

Despite increasing TOI, profitability of the company stood moderate with PBILDT and PAT margin of 4.34% and 0.58% respectively in FY16.

The capital structure of the company stood leveraged with an overall gearing of 2.01 times as on March 31, 2016, deteriorated from 1.79 times as on March 31, 2015 on account of higher utilization of working capital bank borrowings as on balance sheet date. Further, total debt to GCA of the company stood weak with 17.46 times as on March 31, 2016, deteriorated from 13.19 times as on March 31, 2015 mainly on account of decline in gross cash accruals as well as increase in total debt of the company. Further, interest coverage ratio stood moderate at 1.54 times as on March 31, 2016, declined from 1.59 times as on March 31, 2015 mainly on account of higher increase in interest expenses as against increase in PBILDT level.

Further, liquidity position of the company stood stressed marked by elongated operating cycle of 80 days in FY16 mainly on account of high debtors and inventory and high utilization of working capital bank borrowing limits as on balance sheet date. Due to high debtors and inventory as on balance sheet date, current ratio of the company stood moderate at 1.25 times and quick ratio below unity at 0.61 times as on March 31, 2015.

Presence in a highly competitive and fragmented textile industry and vulnerability of margins to fluctuation in raw material prices

SSPL has presence in the textile industry which is highly fragmented and competitive with presence of numerous independent small scale enterprises owing to low entry barriers leading to high level of competition. Smaller companies are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability as compared to larger companies who have better efficiencies and pricing power considering their scale of operations.

The main raw material of the company is polyester and cotton yarn which it procures from Bhilwara. The prices of yarn are in fluctuating trend and hence, the profitability of the company is vulnerable to any adverse movement in the raw material prices.

Key Rating Strengths

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

Experienced promoters with established track record of operations in the textile industry

Overall operations of SSPL are managed by Mr. Prashant Surolia and Mr Pradeep Surolia. Mr Prashant Surolia is a post graduate by qualification and has more than two decades of experience in the textile industry. He looks after finance, sales and marketing function of the company. He is assisted by Mr. Pradeep Surolia, director who is a commerce post graduate by qualification and has around three decades of experience in the textile industry. He looks after administration, finance, purchase and production functions of the company. During FY16, the promoters have infused share capital of Rs.1.00 in FY16.

Location advantage by virtue of being situated in textile cluster of Bhilwara

The main raw material of the company is polyester and cotton yarn. The company is located at Bhilwara which is one of the largest textile clusters in India and majority of these industries are engaged in the manufacturing of synthetic yarn accounting for nearly 40% of India's total synthetic yarn production and nearly 50% of India's total polyester fabrics and suiting production. SSPL's presence in the textile manufacturing region results in benefit derived from cheap and easy availability of raw material, weaving as well as processing of grey fabrics at cheaper cost and low transportation and storage cost.

Continuously growing Total Operating Income

The scale of operations of the company has grown continuously in last four financials years ending FY16. During FY16, TOI of the company increased by 40.14% over FY15 on account of increase in sales of grey and finished fabrics and stood at Rs 45.24 crore.

Analytical approach: Standalone

Applicable Criteria

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

About the Company

Bhilwara (Rajasthan) based Shivram Synthetics Private Limited (SSPL) was initially formed by Mr. Manoj Kumar Chandak and Mr. Navneet Mehta in 2008. Subsequently, there are changes in the promoters and in 2014, Mr. Prashant Surolia and Mr Pradeep Surolia took over the directorship of the company and assumed its current name. SSPL is engaged in the business of manufacturing of grey fabrics and trading of finished fabrics as well. The company outsources the processing work required for the manufacturing of finished fabrics. The weaving unit of SSPL is located at Bhilwara, Rajasthan and has 41 sulzer looms with total installed capacity of 43.93 Lakh Meters Per Annum (LMPA) as on March 31, 2016. Promoters of SSPL have also promoterd M.D. Suitings Private Limited (MSPL) which engaged in similar line of business.

Brief Financials (Rs. crore)	FY15 (A)	FY16(A)
Total operating income	32.28	45.24
PBILD	1.82	1.96
PAT	0.28	0.26
Overall gearing (times)	1.79	2.01
Interest coverage (times)	1.59	1.54

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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*

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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-Cash Credit	-	-	-	10.00	CARE BB-; ISSUER NOT COOPERATING*

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB-; ISSUER NOT COOPERATING*	-	1)CARE BB-(12-Jul-16)	-	-

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