

Shivram Synthetics Private Limited
January 14, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating¹	Rating Action
Long-term Bank Facilities	10.00	CARE BB-; ISSUER NOT COOPERATING (Double B Minus; ISSUER NOT COOPERATING)	“Issuer not cooperating; Based on best available information”
Total	10.00 (Rupees Ten Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Shivram Synthetic Private Limited (SSPL), to monitor the rating vide e-mail communications/ letters dated December 21, 2018, December 22, 2018 and December 24, 2018 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.** Furthermore, 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.

The rating assigned to the bank facilities of Shivram Synthetic Private Limited (SSPL) is primarily constrained on account of financial risk profile marked by moderate profitability and stressed liquidity position. The rating is, further, constrained on account of presence in a highly competitive and fragmented textile industry and vulnerability of margins to fluctuation in raw material prices.

The rating, however, derives strength from the experienced promoters and management, Location advantage by virtue of being situated in textile cluster of Bhilwara.

Key Rating Weakness***Financial risk profile marked by moderate profitability and leveraged capital structure***

Despite increasing TOI, profitability of the company stood moderate with PBILDT and PAT margin of 3.99% and 0.59% respectively in FY17.

The capital structure of the company stood leveraged with an overall gearing of 1.67 times as on March 31, 2017, marginally improved from 2.00 times as on March 31, 2016. Further, total debt to GCA of the company improved from 17.45 times as on March 31, 2016 to 16.36 times as on March 31, 2017 on account of increase in gross cash accruals as against increase in total debt of the company. Further, interest coverage ratio stood moderate at 1.58 times as on March 31, 2017, improved from 1.54 times as on March 31, 2016.

Moderately stressed liquidity position

Further, liquidity position of the company stood stressed marked by elongated operating cycle of 88 days in FY17 mainly on account of high inventory, current ratio of the company stood moderate at 1.28 times and quick ratio below unity at 0.43 times as on March 31, 2017. It has cash and bank balance of Rs. 0.13 crore as on March 31, 2017.

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

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***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 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, purchase and production functions of the company.

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 FY17. During FY17, TOI of the company increased by 11.38% over FY16 on account of increase in sales of grey and finished fabrics and stood at Rs 50.38 crore.

Analytical Approach: Standalone

Applicable Criteria

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

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

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

[Rating Methodology-Manufacturing Company](#)

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

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.

Status of non-cooperation with previous CRA: None

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 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.

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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-Cash Credit	-	-	-	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; 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-Cash Credit	LT	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; ISSUER NOT COOPERATING* (29-Sep-17)	1)CARE BB- (12-Jul-16)	-

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