

## Shivram Synthetics Private Limited

August 18, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	<b>CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	<b>Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; Issuer Not Cooperating) on the basis of best available information</b>
<b>Total Facilities</b>	<b>10.00 (Rs. Ten Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 03, 2019, placed the rating(s) of Shivram Synthetics Private Limited (SSPL) under the 'issuer non-cooperating' category as SSPL had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. SSPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated July 28, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The revision in the ratings takes into account non availability of requisite information.

The ratings continue to remain constrained on account of decline in Total Operating Income(TOI) in FY19 (FY refers to the period from April 01 to March 31) with moderate profitability margins and financial risk profile marked by moderately stressed liquidity position and leveraged capital structure. The ratings, further, continues to remain constrained on account of its presence in a highly competitive and fragmented textile industry and vulnerability of margins to fluctuation in raw material prices.

The ratings, however, derives strength from experienced promoters with established track record of operations in the textile industry and its location advantage by virtue of being situated in textile cluster of Bhilwara.

### Detailed description of the key rating drivers

*At the time of last rating on September 03, 2019, the following were the rating strengths and weaknesses (Updated for the information available from ROC)*

#### Key Rating Weaknesses

##### **Decline in Total Operating Income (TOI) in FY19 with moderate profitability margins**

The scale of operations of the company has declined by 1.64% over FY18 and registered Total Operating Income (TOI) of Rs 52.78 crore as on March 31, 2019 as against Rs 53.66 Crore in FY18. Further, the profitability remained moderate with PBILDT and PAT margin of 4.05% and 0.74% respectively in FY19 as against 3.91% and 0.60% in FY18. Furthermore, the gross cash accruals of the company stood at Rs 0.66 Crore as on March 31, 2019.

##### **Financial risk profile marked by moderately stressed liquidity position and leveraged capital structure**

The capital structure of the company stood leveraged with overall gearing of 1.81 times as on March 31,2019 improved from 2.01 times as on March 31,2018 owing to decrease in total debt. Further debt coverage indicators of the company stood 19.19 times as on March 31, 2019, deteriorated from 18.69 times as on March 31, 2018.

The liquidity position remains stressed due to elongated operating cycle of 106 days in FY19 along with current and quick ratio of 1.35 times and 0.53 times as on March 31, 2019.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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

***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.

**Analytical approach:** Standalone

**Applicable Criteria**

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology – Manufacturing Companies](#)

[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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	53.66	52.78
PBILDT	2.10	2.14
PAT	0.32	0.39
Overall gearing (times)	2.01	1.81
Interest coverage (times)	1.58	1.49

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

**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 B-; Stable; ISSUER NOT COOPERATING*

\*Issuer not cooperating; on the basis of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (03-Sep-19)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (14-Jan-19)	1)CARE BB-; ISSUER NOT COOPERATING* (29-Sep-17)

\*Issuer not cooperating; on the basis of best available information

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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