

Shivram Synthetics Private Limited
 September 3, 2019

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank facility	10.00	CARE B+; Stable; ISSUER NOT COOPERATING (Single B Plus; Outlook ; Stable; ISSUER NOT COOPERATING)	“Issuer not cooperating; revised from CARE BB-; Stable; ISSUER NOT COOPERATING (Double B Minus; Outlook ; Stable ISSUER NOT COOPERATING) on the basis of best available information”
Total	10.00 (Rupees Ten crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 14 ,2019 placed the rating of Shivram Synthetics Private Limited (SSPL) under the ‘issuer non-cooperating’ category as had failed to provide information for monitoring of the rating and had not paid the surveillance fees 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 a letter dated August 27, 2019. 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 ratings have been revised on account of leveraged capital structure and moderate profitability margins.

The rating assigned to the bank facilities of Shivram Synthetics Private Limited (SSPL) is primarily constrained on account of moderately stressed liquidity position, 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 with established track record of operations in the textile industry, Location advantage by virtue of being situated in textile cluster of Bhilwara, continuously growing Total Operating Income.

Detailed description of the key rating drivers

At the time of last rating on January 14, 2019, the following were the rating strengths and weaknesses.

Key Rating Weaknesses**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 3.92% and 0.59% respectively in FY18. The capital structure of the company stood leveraged with an overall gearing of 2.00 times as on March 31, 2018 deteriorated from 1.67 times as on March 31,2017 owing to increase in Total Debt. Further debt coverage indicators of the company stood 20.42 times as on March 31, 2018, deteriorated from 16.36 times as on March 31, 2017.

Moderate liquidity position

Further, liquidity position of the company stood stressed marked by elongated operating cycle of 97 days in FY18 mainly on account of high inventory, current ratio of the company stood moderate at 1.33 times and quick ratio below unity at 0.57times as on March 31, 2018.

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

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

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 FY18. During FY17, TOI of the company increased by 6.48% over FY17 on account of increase in sales of grey and finished fabrics and stood at Rs 53.66 crore

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](#)

[CARE's methodology for 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)	FY17A)	FY18(A)
Total operating income	50.39	53.66
PBILDT	2.01	2.10
PAT	0.30	0.32
Overall gearing (times)	1.67	2.01
Interest coverage (times)	1.58	1.58

*A=Audited

Status of non-cooperation with previous CRA: Nil

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	-	-	-	10.00	CARE B+; Stable; ISSUER NOT

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Credit					COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (14-Jan-19)	1)CARE BB-; ISSUER NOT COOPERATING* (29-Sep-17)	1)CARE BB- (12-Jul-16)

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name - Mr Abhishek Jain

Group Head Contact no. - 0141-4020213/14

Group Head Email ID- abhishek.jain@careratings.com

Business Development Contact

Name: Mr. Nikhil Soni

Contact no. : +91-141-402 0213 / 14

Email ID: nikhil.soni@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.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.