

## Shree Hari Spintex Limited

February 03, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Ratings Action
Long-term Bank Facilities	16.92 (Reduced from 20.44)	<b>CARE BB-; Stable</b> <b>(Double B Minus; Outlook:</b> <b>Stable)</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	0.50 (Reduced from 2.00)	<b>CARE A4</b> <b>(A four)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>17.42</b> <b>(Rs. Seventeen crore and</b> <b>Forty Two lakhs only)</b>		

*Details of facilities in Annexure 1*

### Detailed Rationale

The ratings assigned to the bank facilities of Shree Hari Spintex Limited (SHSL) continue to remain constrained by its weak financial risk profile marked by declining profitability margins and moderate overall solvency position. The ratings are also constrained by the working capital intensive nature of operations. The ratings, however, derive strength from the past experience of the promoters and increasing scale of operations.

Going forward, the ability of the company to profitably scale up its operations with an improvement in the overall solvency position and effective management of the working capital requirements shall remain the key rating sensitivities.

### Detailed Description of key rating drivers

SHSL is promoted by Mr Rakesh Kumar, who has an industry experience of around 20 years through various other group entities engaged in the textile, rice and edible oil industries. The promoters are assisted by a team of professionals who are highly experienced in their respective domains.

The operating income of the company increased to Rs.75.64 crore in FY16 (an increase of ~11% from FY15 [refers to the period April 01 to March 31]) on account of higher quantity sold during the year. The PBILDT margins of the company, however, declined to 7.77% in FY16 (as compared with 9.95% in FY15) due to competitive nature of the industry. The capital structure of the company viz. the long-term debt-to-equity ratio and overall gearing ratio witnessed an improvement lying at 0.48x and 1.76x, respectively, as on March 31, 2016, as compared with 0.81x and 1.88x, respectively, as on March 31, 2015. Other debt coverage indicators have also continued to remain moderate with total debt to GCA of 8.81x, as on March 31, 2016 (7.70x as on March 31, 2015) and interest coverage ratio of 1.68x in FY16 (1.74x in FY15). In H1FY17 (Prov.), the company has achieved a total operating income of Rs.33.43 crore.

The operations of the company have remained working capital intensive in nature. The average utilization of the working capital facilities have remained at ~94% for the last 12 months ended Aug-16, indicating high reliance of the company on the bank borrowings. Though an improvement was seen in the operating cycle, which shortened to 90 days as on March 31, 2016, compared to 132 days as on March 31, 2015, the same continued to remain elongated.

### Analytical Approach – Standalone

### Applicable Criteria

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

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

[CARE's methodology for Cotton Yarn Industry](#)

[CARE's methodology for Short Term Instruments](#)

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

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

**About the company**

Incorporated in 2007, Shree Hari Spintex Limited (SHSL) is promoted by Mr Rakesh Kumar and is engaged in the production of cotton yarn at its manufacturing facility located at Maur Mandi, Distt. Bathinda, Punjab. The operations commenced in FY08, with FY09 being the first full year of operations for the company. The products manufactured by the company find its application in manufacturing of knitted clothes. The company has an installed capacity of 3240 MTPA, as on March 31, 2016, for the manufacturing of cotton yarn for counts ranging from 16s to 34s.

SHSL registered a total operating income of Rs. 75.64 crore during FY16 with a PAT of Rs.0.12 crore as against a total operating income of Rs.68.23 crore with a PAT of Rs.0.19 crore in FY15.

**Status of non-cooperation with previous CRA:** NA

**Any Other information:** Not Applicable

**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](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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**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	NA	NA	May - 2019	3.92	CARE BB-; Stable
Fund Based - LT-Cash Credit	NA	NA	NA	13.00	CARE BB-; Stable
Non-Fund Based - ST-Bank Guarantees	NA	NA	NA	0.50	CARE A4

**Annexure-2: Rating History for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history for past three years			
		Type	Amount Outstanding (Rs. crore)	Rating	2016-2017	2015-2016	2014-2015	2013-2014
1.	Fund Based - LT-Term Loan	LT	3.92	CARE BB-; Stable	-	CARE BB- (December 16, 2015)	CARE BB- (December 15, 2014)	NIL
2.	Fund Based - LT-Cash Credit	LT	13.00	CARE BB-; Stable	-	CARE BB- (December 16, 2015)	CARE BB- (December 15, 2014)	NIL
3.	Non-Fund Based - ST-Bank Guarantees	ST	0.50	CARE A4	-	CARE A4 (December 16, 2015)	CARE A4 (December 15, 2014)	NIL

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CIN - L67190MH1993PLC071691