

Shree Hari Spintex Limited

March 08, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	16.92	CARE B+ (Stable); ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) on the basis of best available information
Short term Bank Facilities	0.50	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total	17.42 (Rupees Seventeen crore and forty two lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Shree Hari Spintex Limited (SHSL) to monitor the ratings vide e-mail communications/letters dated February 21, 2018; February 20, 2018; February 19, 2018; February 13, 2018; December 14, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Shree Hari Spintex Limited's bank facilities will now be denoted as **CARE B+; Stable/CARE A4; 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 ratings.

The long-term rating has been revised on account of susceptibility of company's margins to fluctuations in raw material prices and highly fragmented market resulting in intense competition from the unorganized players. The ratings are further constrained by weak financial risk profile and working capital intensive nature of business. The ratings, however, derive strength from the experienced promoters and steady growth in scale of operations.

Detailed description of the key rating drivers

Key Rating Weaknesses

Susceptibility of margins to raw material price: The operations of SHSL are raw material intensive in nature with the raw material cost constituting ~74% on an average (of the total income) for the last three years. Cotton (one of the main raw material) being an agricultural product, its demand supply situation depends on various natural conditions like monsoons, drought and floods. Its price is very volatile depending on the demand-supply situation in the global markets. This exposes the margins to any adverse movement in the raw material prices.

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

*Issuer did not cooperate; Based on best available information

Highly fragmented market resulting in intense competition from the unorganized players: The industry is highly fragmented and dominated by a large number of independent and small scale unorganized players leading to high competition among the industry players. Smaller companies in general are more vulnerable to intense competition due to their limited pricing flexibility, which constrains their profitability as compared to larger companies who have better efficiencies and pricing power considering their scale of operations.

Weak financial risk profile: The PAT margins continue to remain low and declined to 0.14% in FY17 (PY: 0.16%). The solvency position of the company remained at a moderate level marked by overall gearing of 1.38x, and total debt to GCA of 7.04x, as on March 31, 2017. Furthermore, the operations of the company have remained working capital intensive in nature with an operating cycle of ~97 days, as on March 31, 2017, and high utilization of the working capital borrowings.

Key Rating Strengths

Experienced promoters: 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.

Steady scale-up of operation: The operating income of the company grew at ~4% in FY17 and stood at Rs. 78.19 cr.

Analytical approach: Standalone

Applicable Criteria

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

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

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

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

[Criteria for short-term instruments](#)

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 as the first full year of operations for the company. The products manufactured by the company find its application in the 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.

Status of non-cooperation with previous CRA: NA

Any other information: Nil

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

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-Term Loan	-	-	-	3.92	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	13.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information

**Issuer did not cooperate; 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 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-Term Loan	LT	3.92	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (03-Feb-17)	1)CARE BB-(16-Dec-15)	1)CARE BB-(15-Dec-14)
2.	Fund-based - LT-Cash Credit	LT	13.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (03-Feb-17)	1)CARE BB-(16-Dec-15)	1)CARE BB-(15-Dec-14)
3.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Feb-17)	1)CARE A4 (16-Dec-15)	1)CARE A4 (15-Dec-14)

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

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