

Siddhartha Super Spinning Mills Limited

May 29, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	38.64	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BB; Stable; Issuer Not Cooperating (Double B; Outlook: Stable; Issuer Not Cooperating) on the basis of best available information
Short term Bank Facilities	2.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING)	Issuer Not Cooperating; based on best available information
Total	40.64 (Rupees Forty crore and Sixty Four lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 28, 2018, placed the rating of Siddhartha Super Spinning Mills Limited (SML) under the 'issuer non-cooperating' category as SML Limited failed to provide information for monitoring of the rating. SML continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated May 26, 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 ratings have been revised on account of the decline in profitability during FY19, susceptibility of margins to raw material price volatility, and highly competitive & fragmented nature of the textile industry. The ratings are further constrained by the modest scale of operations and customer concentration risk. The ratings however, derive strength from extensive industry experience of the promoters & long track record of operations, comfortable operating cycle and diversified product profile with favourable location of operations

Detailed description of the key rating drivers

Key Rating Weaknesses

Decline in profitability in FY19: The PBILDT margins declined 7.00% in FY19 from 8.08% in FY18. Subsequently, the PAT margins also declined to 0.53% in FY19 from 1.44% in FY18.

Susceptibility of margins to raw material price volatility: The primary raw materials of the company include polyester, acrylic and viscose fibres, prices of which are directly linked to crude oil prices which are highly volatile in nature thereby exposing the profitability margins to any adverse movement in the raw material prices.

Highly competitive and fragmented nature of the textile industry: The textile industry is highly competitive and fragmented in nature with the presence of a large number of players in the organised and unorganised sector.

Customer concentration risk: In FY17, top five customers of SML contributed ~38% (PY:~42%) of the gross sales while SML's top customer contributed ~18% (PY:~16%) of the gross sales during the year.

Modest scale of operations: The scale of operations of the company remained modest with a total operating income of Rs.126.69 Cr. though growing by ~21 in FY19. Cr from Rs.105.00 cr in FY18.

²Complete 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

Key Rating Strengths

Extensive industry experience of the promoters and long track record of operations: Mr R. P. Aggarwal, the current managing director of the company, holds an industry experience of nearly 47 years. Other directors of the company including Mr R.G. Aggarwal, Mr Madangopal Rathie and Mr Vishal Aggarwal are having an industry experience of around 10 years, 47 years and 10 years, respectively. Together, they look after the overall affairs of the company. SML has been engaged in the textile industry for over three and a half decades now leading to established relationships with the customers as well as suppliers.

Comfortable operating cycle: The operating cycle of the company remained comfortable and improved to ~47 days as on March 31, 2019 (PY: ~55 days).

Diversified product profile with favourable location of operations: SML manufactures various varieties of synthetic yarn including 100% Polyester yarn, Polyester Viscose Blended Yarn, Polyester Acrylic Blended Yarn, Melange Yarn, Grey Yarn, Polyamide Nylon Yarn, etc. The company manufactures dyed yarns and also has an in-house dyeing facility to meet a part of its dyeing requirements. Furthermore, these yarns are produced in various counts. The manufacturing facility of the company is located in Himachal Pradesh. The company therefore operates in close proximity to well-established textile hubs like Ludhiana, Amritsar, etc.

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](#)

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

[CARE's methodology for manufacturing companies](#)

[Criteria for Short Term Instruments](#)

About the Company

Siddhartha Super Spinning Mills Limited (SSSML) was incorporated in 1980 by the Delhi-based Jain family. In 1999, the company was declared a sick unit. It was subsequently taken over by the current promoter, Mr R P Agarwal, his family members and Mr Madangopal Rathie, in 2006, and was removed from the purview of the BIFR (Board for Industrial and Financial Reconstruction) in 2007. SML is engaged in the manufacturing of various types of synthetic yarns since 1982. The products are sold under the brand name 'Siddhartha'. The company operates from a single manufacturing facility in Nalagarh, Himachal Pradesh, with an installed capacity of 9500 Tonnes of yarn per annum, as on May 31, 2018.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	105.00	126.69
PBILDT	8.49	8.87
PAT	1.51	0.68
Overall gearing (times)	2.14	1.96
Interest coverage (times)	2.98	3.57

A: Audited

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and classified SSSPL as "Not cooperating" vide its press release dated May 28, 2019.

Any other information: Not Applicable

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	-	-	-	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	April-2025	26.64	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* 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 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	12.00	CARE BB-; 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* (28-Dec-18)	1)CARE BB+; Stable (13-Jul-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (28-Dec-18)	1)CARE A4+ (13-Jul-17)
3.	Fund-based - LT-Term Loan	LT	26.64	CARE BB-; 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* (28-Dec-18)	1)CARE BB+; Stable (13-Jul-17)

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

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. Sudeep Sanwal

Group Head Contact no.: +91-0172-4904025

Group Head Email ID- sudeep.sanwal@careratings.com

Relationship Contact

Name: Mr. Anand Jha

Contact no. : +91-0172-4904000/1

Email ID: anand.jha@careratings.com

About CARE Ratings:

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