

Siddhartha Super Spinning Mills Limited

December 28, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	38.64	CARE BB; Stable, ISSUER NOT COOPERATING* (Double B; Outlook:Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) 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; Revised from CARE A4+ (A Four Plus) on the basis of 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 has been seeking information from Siddhartha Super Spinning Mills Limited (SSSPL) to monitor the ratings vide e-mail communications May 16, 2018, June 29, 2018, July 03, 2018, July 20, 2018, August 13, 2018, August 17, 2018, August 31, 2018, October 29, 2018 and December 19, 2018, letter dated December 24, 2018 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 rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on SSSPL's bank facilities will now be denoted as **CARE BB; 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 ratings have been revised on account of the deterioration in the capital structure and interest coverage ratio. The ratings are further constrained by the modest scale of operations, customer concentration risk, susceptibility of the margins to raw material price volatility and highly competitive & fragmented nature of the industry. The ratings, however, derive strength from the company's long track record of operations, diversified product profile and favourable location of the manufacturing facility.

Detailed description of the key rating drivers

At the time of last rating on July 12, 2018 the following were the rating strengths and weaknesses (updated for the information available from the company).

Key Rating Weaknesses

Deterioration in the capital structure and interest coverage ratio: The long-term debt-to-equity and overall gearing ratios of the company deteriorated from 1.26x and 1.85x respectively, as on March 31, 2017 to 1.47x and 2.14x respectively, as on March 31, 2018 on account of additional term loans availed to fund the capex undertaken during the year. The interest coverage ratio also deteriorated from 3.42x in FY17 (refers to the period April 01 to March 31) to 2.98x in FY18.

Modest scale of operations: The scale of operations of the company remained modest with a total income of Rs.105 Cr. though growing by ~9% in FY18. The PBILDT margins remained around previous year's levels at 8.08% in FY18 while the PAT margins improved from 0.84% in FY17 to 1.44% in FY18 on account of extraordinary income of Rs.2.14 Cr. received during the year from sale of land.

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

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

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.

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. SSSML 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 at ~55 days as on March 31, 2018 as compared to ~61 days as on March 31, 2017.

Diversified product profile with favourable location of operations: SSSML 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

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

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

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

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

[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. SSSML 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)	FY17 (A)	FY18 (A)
Total operating income	96.65	105.00
PBILDT	7.82	8.49
PAT	0.81	1.51
Overall gearing (times)	1.85	2.14
Interest coverage (times)	3.42	2.98

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 February 14, 2018.

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.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 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-Cash Credit	-	-	-	12.00	CARE BB; 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	-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of 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 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	12.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	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; Revised from CARE A4+ on the basis of best available information	-	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 on the basis of best available information	-	1)CARE BB+; Stable (13-Jul-17)	-	-

*Issuer did not cooperate; Based on best available information

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