

Press Release

08 December, 2017

Shreebhav Polyweaves Private Limited (SPPL)

Rating Reaffirmed



Total Bank Facilities Rated *	Rs. 15.94 cr
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.15.94 crore bank facilities of Shreebhav Polyweaves Private Limited (SPPL). The outlook is '**Stable**'.

SPPL, incorporated in 2005, is a Surat-based company led by Mr. Sanjay Agarwal and Mrs. Shalini Agarwal. The company is engaged in the manufacturing of fabric and also undertakes embroidery job work.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

SPPL commenced operations from 2005. The management headed by Mr. Sanjay Aggarwal and Mrs. Shalini Agarwal has around two decades of experience in the textile industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. SMERA believes that SPPL will continue to benefit from its experienced management and established relationships with customers.

Moderate financial risk profile

SPPL has moderate financial risk profile marked by net worth of Rs.15.09 crore as on 31 March, 2017 as against Rs.14.46 crore as on 31 March, 2016. The gearing stood at 1.23 crore as on 31 March, 2017 as against 0.88 times as on 31 March, 2016. The total debt of Rs.18.57 crore as on 31 March, 2017 consists of term loan of Rs.10.14 crore, unsecured loan from directors of Rs.0.19 crore and working capital facility of Rs.8.24 crore. The interest coverage ratio stood at 2.79 times for FY2016-17 compared to Rs.3.18 times for FY2015-16. The DSCR stood at 1.41 times for FY2016-17 and 1.26 times for FY2105-16. The total outside liabilities to Tangible net worth stood at 2.34 times for FY2016-17. Further, SMERA believes that the financial risk profile will remain moderate with moderate accruals in the absence of major debt funded capex in the medium term.

Weaknesses

Small scale of operations

The scale of operations is modest despite SPPL having commenced operations over a decade ago. The revenue stood at Rs. 49.29 crore for FY2016-17 and Rs.40.91 crore for FY2015-16.

Working capital intensive business

The business is working capital intensive marked by high Gross Current Asset (GCA) days of 231 for FY2016-17 compared to 230 for FY2015-16. The high GCA is due to elongated inventory and debtor days which stood at 45 and 185 days for FY2016-17. Further, the working capital utilisation has been ~90 per cent for the last three months ended October, 2017.

Competitive and fragmented industry

SPPL operates in a highly fragmented garment industry with large number of players limiting its bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SPPL to arrive at the rating.

Outlook: Stable

SMERA believes that SPPL will continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the company displays good scalability in operations and is able to maintain profitability. Conversely, the outlook may be revised to 'Negative' in case of fall in revenue, profitability or if the company undertakes debt funded working capital borrowings.

About the Rated Entity - Key Financials

For FY2016-17, SPPL reported profit after tax (PAT) of Rs.0.99 crore on operating income of Rs.49.29 crore, compared with PAT of Rs.0.63 crore on operating income of Rs.40.91 crore in FY2015-16. The net worth stood at Rs.15.09 crore as on 31 March, 2017 compared to Rs.14.46 as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
12-Oct, 2017	Cash Credit	Long Term	6.00	SMERA BB (Indicative)
	Term Loan I	Long Term	3.37	SMERA BB (Indicative)
	Term Loan II	Long Term	6.00	SMERA BB (Indicative)
	Bank Guarantee	Short Term	0.57	SMERA A4+ (Indicative)
12-Aug, 2016	Cash Credit	Long Term	6.00	SMERA BB / Stable (Reaffirmed)
	Term Loan I	Long Term	3.37	SMERA BB / Stable (Reaffirmed)
	Term Loan II	Long Term	6.00	SMERA BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.57	SMERA A4+ (Reaffirmed)
28-Apr, 2015	Cash Credit	Long Term	6.00	SMERA BB / Stable (Assigned)
	Term Loan I	Long Term	3.37	SMERA BB / Stable (Assigned)
	Term Loan II	Long Term	6.00	SMERA BB / Stable (Assigned)
	Bank Guarantee	Short Term	0.57	SMERA A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB / Stable (Reaffirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	3.37	SMERA BB / Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.57	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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