

Press Release

Satyam Wovensack Private Limited

November 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 8.50 crore bank facilities of Satyam Wovensack Private Limited. The outlook is '**Stable**'.

Incorporated in 2010, SWPL is Gujarat-based company promoted by Mr. Vikas Garg. The company is engaged in manufacturing of woven fabrics which are used in various textile, packaging and agricultural industry. The company has its manufacturing unit located at Navapara, Gujarat with an installed capacity of 2, 25,000 meters perday.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SWPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

SWPL has been associated with textile industry for over a decade. Promoted by Mr. Vikas Garg, he possesses experience of more than a decade in this textile industry.

Acuité believes that the company will continue to benefit from its experienced management which has helped it to maintain long standing relations with its customers all over India and suppliers like Reliance Industries Limited.

- **Comfortable working capital operations**

The company has comfortable working capital operations on account of Gross Current Asset (GCA) of 136 days in FY2018 as compared to 152 days in FY2017. The GCA days are mainly dominated by high collection period of 87 days in FY2018 compared to 65 days in FY2017. The inventory holding stood at 35 days in FY2018 compared to 63 days in FY2017. However, the average cash credit utilisation for the past six months stood at ~95percent.

Acuité believes that SWPL will continue to manage its working capital cycle in order to maintain a stable creditprofile.

Weaknesses

- **Average financial riskprofile**

The financial risk profile is average marked by tangible net worth of Rs. 7.53 crore as on 31 March, 2018 as against Rs. 7.41 crore in the previous year. The gearing stood at 1.16 times on 31 March, 2018 as against 1.37 times in the previous year. The total debt of Rs. 8.77 crore includes term loan from bank of Rs. 2.57 crore, working capital borrowings of Rs. 4.53 crore and unsecured loan of Rs. 1.67 crore. Interest Coverage Ratio (ICR) stood at 1.89 times in FY2018 as against 2.19 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.51 times as on 31 March, 2018 as against 1.84 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.10 times in both FY2018 as against 0.11 in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

- **Margins susceptible to fluctuations in raw materialprices**

The company's operating margins are susceptible to raw material price fluctuation. The basic raw material required by SWPL is PP granules which are crude oil derivatives whose prices are subject to volatility in line with those of global crude oil prices. Therefore, the fluctuation in operating margins is marked by fluctuations in raw materialprices.

This is marked by fluctuating margins in past three years. The operating margins stood at 8.19 percent in FY2018 as against 6.63 percent in FY2017. The firm reported Profit after Tax (PAT) margin of 0.48 percent in FY2018 against 1.20 percent in FY2017.

Outlook: Stable

Acuité believes that SWPL's outlook will remain 'Stable' backed by experienced management, and comfortable working capital. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving its financial risk profile and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	24.99	25.89	26.76
EBITDA	Rs. Cr.	1.93	1.69	1.76
PAT	Rs. Cr.	0.12	0.31	0.10
EBITDA Margin	(%)	7.72	6.54	6.59
PAT Margin	(%)	0.48	1.20	0.37
ROCE	(%)	6.90	5.05	5.14
Total Debt/Tangible Net Worth	Times	1.16	1.37	1.65
PBDIT/Interest	Times	2.00	2.23	2.29
Total Debt/PBDIT	Times	4.50	5.92	6.52
Gross Current Assets (Days)	Days	136	152	162

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

None

Any other information

None

Applicable Criteria

- Default Recognition-<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities-<https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable

Proposed	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE B+ / Stable
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About Acuité Ratings & Research:

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