

Press Release

Sri Gita Texturisers

24 April, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 8.50 Crore
Long Term Rating	SMERA BB/Outlook: Stable (Upgraded and assigned)

**Refer annexure for details*

SMERA has upgraded the long term rating on the Rs.7.49 crore bank facilities to **'SMERA BB' (read as SMERA double B)** from **'SMERA BB-' (read as SMERA double B minus)** and assigned long term rating of **'SMERA BB' (read as SMERA double B)** on the Rs.1.01 crore bank facilities of Sri Gita Texturisers. The outlook is **'Stable'**.

The Surat-based Sri Gita Texturisers (SGT), established in 2009 as a proprietorship firm is engaged in the manufacturing of polyester texturised and roto yarn. The firm was established by Mr. Kailashchand Mundhra and Mr. Mahavir Prasad Mundhra and commercial operations commenced in 2012.

For arriving at the rating, SMERA has consolidated the business and financial risk profiles of Sri Gita Texturisers and Sri Mahavir Crimpers. The consolidation is in view of the common partners, similarities in the line of business and operational linkages within the group.

The rating upgrade is in view of the capital infusion by partners', comfortable turnover days, steady growth in profitability margins and net cash accruals.

About the group

The Surat-based Sri Mahavir Crimpers (SMC), established in 1987, is a proprietorship firm engaged in the manufacturing of polyester texturised yarn. The firm is managed by Mr. Kailashchand Mundhra and Mr. Mahavir Prasad Mundhra. During FY2016-17, the firm reported turnover of Rs.59.84 crore.

Key rating drivers

Strengths

Experienced management and established track record of operations

The Promoters, Mr. Kailashchand Mundhra and Mr. Mahavir Prasad Mundhra have three decades of experience in the textile industry.

Moderate financial risk profile

The consolidated financial risk profile of the group is moderate marked by consolidated net worth of Rs.12.87 crore as on March 31, 2017 as compared to Rs.11.77 crore as on March 31, 2016. The debt to equity improved from 1.64 times as on March 31, 2016 to 1.33 times as on March 31, 2017. The Interest Coverage Ratio is comfortable at 1.75 times as on March 31, 2017 as compared to 1.79 times as on March 31, 2016 and 1.78 times as on March 31, 2015. The DSCR stood at 1.07 times as on March 31, 2017 as compared to 1.79 times as on March 31, 2016.

Increase in profitability

The group reported increase in profitability margins in FY2016-17. The consolidated EBITDA margin improved from 2.70 percent in FY2015-16 to 3.05 percent in FY2016-17 due to decline in raw material prices.

Weaknesses

Susceptibility of profitability to volatility in raw material prices

The main raw material is partially oriented yarn (POY), the price of which is linked to crude oil prices. Thus, the group is exposed to volatility in raw material prices owing to fluctuations in crude oil prices.

Supplier concentration risk

The group procures partially oriented yarn (POY) from Reliance Petroleum Limited. As a result the firm has limited bargaining power in terms of pricing and credit period.

Analytical approach:

SMERA has consolidated the business and financial risk profiles of Sri Gita Texturisers and Sri Mahavir Crimpers to arrive at the rating.

Outlook – Stable

SMERA believes that the group will maintain a 'Stable' outlook and continue to benefit over the medium term on account of its experienced management and improving profit margins. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenue and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenue and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	95.28	98.50	125.62
EBITDA	Rs. Cr.	2.90	2.66	3.89
PAT	Rs. Cr.	1.04	0.90	1.28
EBITDA Margin	(%)	3.05	2.70	3.10
PAT Margin	(%)	1.09	0.92	1.02
ROCE	(%)	10.76	8.94	23.00
Total Debt/Tangible Net Worth	Times	1.33	1.64	1.98
PBDIT/Interest	Times	1.75	1.79	1.78
Total Debt/PBDIT	Times	4.34	5.36	4.84
Gross Current Assets (Days)	Days	58	65	56

Any other information: SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

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>
- Consolidation of group companies- <https://www.smera.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
29 Mar, 2017	Cash Credit	Long Term	4.90	SMERA BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.16	SMERA BB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.65	SMERA BB/Stable (Reaffirmed)
	Term Loan	Long Term	1.34	SMERA BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.45	SMERA BB-/Stable (Reaffirmed)
27 Jan, 2016	Cash Credit	Long Term	4.90	SMERA BB-/Stable (Assigned)
	Term Loan	Long Term	3.60	SMERA BB-/Stable (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	4.90	SMERA BB/Stable (Upgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.08	SMERA BB/Stable (Upgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.01	SMERA BB/Stable (Upgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.96	SMERA BB/Stable (Upgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.54 (enhanced from Rs. 0.45)	SMERA BB/Stable (Upgraded)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	1.01	SMERA BB/Stable (Assigned)

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ABOUT SMERA

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