

Press Release

Sangeet Syntex Limited

September 07, 2017



Rating Upgraded

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 18.76 Cr. |
| Long Term Rating | SMERA BB+ / Outlook: Stable |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 18.76 crore bank facilities of Sangeet Syntex Limited. The outlook is '**Stable**'.

Sangeet Syntex Limited (SSL), incorporated in 1980 is engaged in the manufacture of knitted fabrics and polyester textured yarn (PTY) at Silvassa. The company has an installed capacity of 1800 metric tonnes per annum (MTPA) for texturising yarn and 2800 MTPA for knitted fabrics.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

Incorporated in 1980, as a private limited company and later, reconstituted as a public limited company, Sangeet Syntex Limited (SSL) was promoted by Mr. Rahul Modi. Mr. Modi has more than three decades of experience in the textile industry.

• Improvement in operating margins

The operating margins have shown an improvement over the last three financial years. Margins have improved from 5.88 per cent in FY2016 to 11.13 per cent in FY2017 (Provisional) on account of better efficiencies, greater economies of scale and addition of higher margin products in the portfolio.

• Healthy financial risk profile

SSL has healthy financial risk profile marked by networth of Rs.15.10 crore as on 31 March 2017 (Provisional) compared to Rs.8.21 crore as on 31 March 2016. Further, the networth of Rs. 15.10 crore includes unsecured loans of Rs.5.86 crore (treated as quasi equity). The debt to equity ratio of the company stood at 0.92 times as on 31 March, 2017 (Provisional) compared to 2.12 times as on 31 March, 2016. The company has sold its old land and building at Dadra for total proceeds of about Rs.4.00 crore. The entire proceeds from the sale of the land were used to repay the term loan of around Rs 4.0 crore. Further, the interest coverage ratio stood at 4.80 times for FY2017 (Provisional) compared to 1.93 times for FY2016. The DSCR stood comfortable at 1.48 times for FY2017 (Provisional) compared to 1.11 times for FY2016. The RoCE also stood healthy at 22.05 percent in FY2017 (Provisional) compared to 4.38 times in FY2016.

Weaknesses

• Modest scale of operations

The scale of operations is moderate. The company booked revenue of Rs.23.26 crore in FY2016 and Rs.35.76 crore in FY2017 (Provisional).

- **Moderately working capital intensive**

The company has moderate working capital intensive operations marked by gross current asset days of 130 days in FY2017. The inventory and debtor days stood at 67 and 51 respectively.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes that SSL will maintain a stable outlook and continue to benefit over the medium term from the promoters vast experience in the textile industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially while improving operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations.

About the Rated Entity - Key Financials

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.3.74 crore on operating income of Rs.35.76 crore, compared to Rs.0.12 crore on operating income of Rs.23.26 crore in FY2016. The net worth stood at Rs.15.10 crore as on 31 March, 2017 (Provisional) against Rs.8.21 crore a year earlier.

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 (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|--------------------------------------|------------|------------------|-------------------|
| 25-Jul-2016 | Cash Credit | Long Term | INR 5.5 | SMERA BB / Stable |
| | Term Loan | Long Term | INR 0.44 | SMERA BB / Stable |
| | Term Loan | Long Term | INR 0.58 | SMERA BB / Stable |
| | Term Loan | Long Term | INR 7.65 | SMERA BB / Stable |
| | Bank Guarantee | Short Term | INR 0.5 | SMERA A4+ |
| | Proposed Working Capital Demand Loan | Long Term | INR 4.09 | SMERA BB / Stable |

***Annexure - Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-----------------------------|--|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.23 | SMERA BB+ / Stable (upgraded from SMERA BB/Stable) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 7.27 | SMERA BB+ / Stable (upgraded from SMERA BB/Stable) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 8.00 | SMERA BB+ / Stable (upgraded from SMERA BB/Stable) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.50 | SMERA A4+ (Reaffirmed) |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 2.76 | SMERA BB+ / Stable (upgraded from SMERA BB/Stable) |

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ABOUT SMERA

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