

Press Release

Sangeet Syntex Limited

August 16, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE 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 texturizing 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, SSL is led by its director, Mr. Rahul Modi who has experience of more than three decades in the textile industry.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth and debt protection measures and gearing. The net worth of the company is moderate at around Rs.13.70 crore as on 31 March, 2018 (Provisional) as against Rs.12.61 crore as on 31 March, 2017. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.29 times as on 31 March, 2018 (Provisional) as against 1.71 times as on 31 March, 2017. The moderate revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. The interest coverage ratio remained moderate at 2.35 times in FY2018 (Provisional) and 4.12 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.12 times as on 31 March, 2018 (Provisional) as against 0.23 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 0.97 times for FY2018 (Provisional) as against 1.32 times in FY2017. Acuite believes that the financial risk profile of SSL will continue to remain moderate over the medium term on account of its improving scale of operations and conservative financial policy.

Weaknesses

- **Moderate scale of operations and decrease in profitability**

SSL's revenues had stood at Rs.34.82 crore in FY2018 (Provisional) as against Rs.35.63 crore in FY2017. The operating margins stood at 10.11 percent in FY2018 (Provisional) as against 10.31 percent in FY2017. PAT margin declined to 2.33 percent in FY2018 (Provisional) from 9.12 percent in FY2017.

- **Moderate working capital operations:**

The working capital management is marked by gross current assets (GCA) of 109 days in FY2018 (Provisional) as against 126 days in FY2017. The inventory and debtors levels stood at 47 and 40 days in FY2018 (Provisional) as against 60 and 50 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~85 to 90 per cent in the last six months. Acuite believes that the working capital requirements will continue to remain moderate over the medium term on account of its high inventory and debtors.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Sangeet Syntex Limited to arrive at the rating.

Outlook: Stable

ACUITE 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.82	35.63	23.26
EBITDA	Rs. Cr.	3.52	3.67	1.37
PAT	Rs. Cr.	0.81	3.25	0.12
EBITDA Margin	(%)	10.11	10.31	5.88
PAT Margin	(%)	2.33	9.12	0.50
ROCE	(%)	16.68	20.31	4.38
Total Debt/Tangible Net Worth	Times	1.12	1.50	2.06
PBDIT/Interest	Times	2.35	4.12	1.93
Total Debt/PBDIT	Times	4.36	2.69	12.63
Gross Current Assets (Days)	Days	109	126	141

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sep-2017	Term Loan	Long Term	0.23	ACUITE BB+ / Stable (Upgraded)
	Proposed Long Term Loan	Long Term	2.76	ACUITE BB+ / Stable (Upgraded)
	Term Loan	Long Term	7.27	ACUITE BB+ / Stable (Upgraded)
	Cash Credit	Long Term	8.00	ACUITE BB+ / Stable (Upgraded)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
25-Jul-2016	Cash Credit	Long Term	5.50	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	0.44	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	0.58	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	7.65	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)
	Proposed Working Capital Demand Loan	Long Term	4.09	ACUITE BB / Stable (Assigned)

*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	0.06	ACUITE BB+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.16	ACUITE BB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+ / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.04	ACUITE BB+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+ / Stable (Assigned)

*sublimit to performance BG, LC is Rs.0.50 crore and buyer's credit (sub limit of LC) is Rs.0.50 crore.

**sublimit to forex forward contract of Rs.1.00 crore.

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About Acuité Ratings & Research:

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