

Press Release

Sangeet Syntex Limited

November 19, 2020



Rating Assigned, Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs.11.63 Cr. (Reduced from Rs.18.76 Cr.)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+** (read as ACUITE double B plus) and the short term rating of '**ACUITE A4+**' (read as ACUITE A four plus) on the Rs.9.88 crore bank facilities of Sangeet Syntex Limited (SSL). The outlook is '**Stable**'.

Further, Acuité has withdrawn the long-term rating of '**ACUITE BB+** (read as ACUITE double B plus) on the Rs.7.13 crore bank facilities of SSL.

Also, Acuité has assigned the long-term rating of '**ACUITE BB+** (read as ACUITE double B plus) on the Rs.1.75 crore bank facilities of SSL.

Sangeet Syntex Limited (SSL) was incorporated in 1980 as a private limited company and its constitution was later changed to public limited. The company is engaged in manufacturing of texturized yarn and knitted fabrics. The texturized yarn is used for captive consumption for knitting fabrics. SSL has manufacturing facilities located at Silvassa (Dadra & Nagar Haveli).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SSL was incorporated in 1980, thus the company has an operational track record of four decades in the yarn industry. The long track record of operations and experience of management have helped the company to maintain a healthy relationship with its customers and suppliers. Acuité believes that SSL will sustain its existing business profile on the back of an established track record of operations and experienced management.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by modest net worth, moderate gearing and above average debt protection metrics. The net worth stood at Rs.14.07 crore (Provisional) as on 31 March, 2020 as against Rs.13.56 crore on 31 March, 2019. The company has followed a conservative financial policy in the past; the same is reflected through its gearing levels of 1.30 times as on March 31, 2019. The gearing improved to 0.99 times (Provisional) as on March 31, 2020 due to reduction in long term debt. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.35 times as on 31 March 2019 as against 1.59 times as on 31 March 2019. The company generated cash accruals of Rs.1.64 crore (Provisional) in FY2020 as against Rs.1.28 crore in FY2019. The profitability levels coupled with debt levels, has led to above average debt protection measures. The NCA/TD and interest coverage ratio for FY2020 were average at 0.12 times (Provisional) and 2.23 times (Provisional), respectively. Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term, on account of moderate gearing and above average debt protection metrics.

Weaknesses

• Modest scale of operations

The company's revenue stood modest at Rs.29.89 crore (Provisional) in FY2020 as compared to Rs.31.47 crore in the previous year and Rs.29.78 crore in FY 2018, registering a CAGR of 0.12 percent over the three year period. Further, the company has booked revenue of around Rs.18 crore for the seven months ended October, 2020. Acuité believes that going forward, the ability of the company to improve its scale of operations will remain a key rating sensitivity.

• Intensive working capital management

The company's working capital management is intensive marked by its gross current asset (GCA) days of around 179 days in FY2020 (Provisional) as well as in FY2019. The company has maintained an inventory holding period of 98 days (Provisional) as on 31 March, 2020 as against 79 days as on 31 March, 2019. The debtor days remained around 72 in FY2020 (Provisional) as against 61 days in FY2019. Acuité expects the working capital management of the company to remain intensive over the medium term on account of its debtor collection period.

Liquidity Position: Adequate

SSL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.64 crore (Provisional) for FY2020, with debt repayment obligations of Rs.1.26 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.64 crore to Rs.2.10 crore during FY2021-23 against debt repayment obligations of Rs.0.65 crore-Rs.0.70 crore every year in the same period. The firm's working capital operations are intensive, marked by GCA of 179 days (Provisional) for FY2020. The average bank limit utilization over the past twelve months ended September 2020 remained at around ~84 percent. The current ratio stood at 1.23 times (Provisional) as on 31 March, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

Rating Sensitivities

- Scaling up of operations
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Outlook: Stable

Acuité believes that SSL will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of a significant improvement in working capital operations while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the scale of operations or elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	29.89	31.47
PAT	Rs. Cr.	0.48	0.12
PAT Margin	(%)	1.60	0.38
Total Debt/Tangible Net Worth	Times	0.99	1.30
PBDIT/Interest	Times	2.23	1.83

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

None

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Oct-2019	Term Loan	Long Term	5.16	ACUITE BB+ (Indicative)
	Cash Credit	Long Term	8.00	ACUITE BB+ (Indicative)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Indicative)
	Proposed Bank Facility	Long Term	2.04	ACUITE BB+ (Indicative)
	Term Loan	Long Term	0.06	ACUITE BB+ (Indicative)
	Term Loan	Long Term	3.00	ACUITE BB+ (Indicative)
16-Aug-2018	Term Loan	Long Term	0.06	ACUITE BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	5.16	ACUITE BB+ / Stable (Reaffirmed)
	Cash Credit	Long Term	8.00**	ACUITE BB+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50***	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.04	ACUITE BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BB+ / Stable (Assigned)
07-Sep-2017	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.23	ACUITE BB+ / Stable (Upgraded from ACUITE BB / Stable)
	Proposed Long Term Loan	Long Term	2.76	ACUITE BB+ / Stable (Upgraded from ACUITE BB / Stable)
	Term Loan	Long Term	7.27	ACUITE BB+ / Stable (Upgraded from ACUITE BB / Stable)
	Cash Credit	Long Term	8.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB / Stable)
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	7.65	ACUITE BB / Stable

		Term		(Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)
	Proposed Working Capital Demand Loan	Long Term	4.09	ACUITE BB / Stable (Assigned)

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

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

*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 Loan	24-Aug-2016	Not Available	31-Jul-2020	0.06	ACUITE BB+ (Withdrawn)
Term Loan	24-Aug-2016	Not Available	31-Jul-2020	1.38	ACUITE BB+/Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	3.00	ACUITE BB+ (Withdrawn)
Cash Credit	Not Available	Not Applicable	Not Available	8.00*	ACUITE BB+/Stable (Reaffirmed)
Working Capital Term Loan	28-Aug-2020	Not Applicable	28-Aug-2024	1.75	ACUITE BB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50**	ACUITE A4+ (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	4.07	ACUITE BB+ (Withdrawn)

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

**sublimit of working capital demand loan to the extent of Rs.7.00 crore

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About Acuité Ratings & Research:

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