

## Press Release

Sangeet Syntex Limited

February 11, 2022



### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.13	ACUITE BB+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.50	-	ACUITE A4+   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	11.63	-	-

### Rating Rationale

Acuité has reaffirmed and withdrawn its long-term rating of '**ACUITE BB+**' (read as ACUITE double B plus) and the short term rating of '**ACUITE A4+**' (read as ACUITE A four plus) on the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.11.63 crore bank facilities of Sangeet Syntex Limited (SSL).

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuité's policy on withdrawal of ratings.

### About the Company

Sangeet Syntex Limited (SSL) was incorporated in 1980 by Mr.Srawankumar Modi 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 & NagarHaveli).The manufacturing unit includes 2 texturizing machines and 69 knitting machines. Its utilisation is 80 to 85 %.

### 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 average debt protection metrics. The net worth stood at Rs.14.39 crore (Prov) as on 31 March, 2021 almost at par with the previous year. The company has followed a conservative financial policy in the past; the same is reflected through its gearing levels of 0.93 times as on March 31, 2021 and 0.96 times as on March 31, 2020. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.32 times as on 31 March 2021 as against 1.30 times as on 31 March 2020. The Debt to EBITDA stood at 4.84 times as on March 31, 2021 as against 5.18 times as on March 31, 2020. The company generated cash accruals of Rs.1.40 crore (Prov) in FY2021 as against Rs.1.23 crore in FY2020. The NCA/TD has almost been at par with the previous year at 0.10 times (Prov). The interest coverage ratio for FY2021 stood at 2.17 times (Prov) as against 1.92 times as on 31 March 2020. The DSCR stood at 0.97 times for FY2021 as against 0.77 times for FY2020.

Acuité believes that the financial risk profile of the company is likely to remain moderate over the medium term, on account of improved profitability.

## Weaknesses

### >Modest scale of operations

The company's revenue stood modest at Rs.24.69 crore (Provisional) in FY2021 as compared to Rs.28.11 crore in the previous year and Rs.31.47 crore in FY2019. Further, the company has booked revenue of around Rs.24 crore for the nine months ended December, 2021.

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 236 days in FY2021(Prov) and 188 days in FY2020. The company has maintained an inventory holding period of 120 days (Prov) as on 31 March, 2021 as against 92 days as on 31 March, 2020. The debtor days remained around 59 in FY2021 (Prov) as against 54 days in FY2020.

Acuité expects the working capital management of the company to remain intensive over the medium term on account of its debt collection period and inventory holding period.

## Rating Sensitivities

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

## Material covenants

None

## 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. 1.28-1.40 crore in FY 2019-2021, as against debt repayment obligations of Rs.0.00-2.01 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.55 crore to Rs.2.26 crore during FY2022-24 against debt repayment obligations of Rs.0.00-0.84 crore every year in the same period. The firm's working capital operations are intensive, marked by GCA of 236 days (Prov) for FY2021. The current ratio stood at 1.36 times (Prov) as on 31 March, 2021 as against 1.16 times in the previous year.

## Outlook: Stable

Not applicable

## Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	24.69	28.11
PAT	Rs. Cr.	0.28	0.09
PAT Margin	(%)	1.12	0.31
Total Debt/Tangible Net Worth	Times	0.93	0.96
PBDIT/Interest	Times	2.17	1.92

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

None

## Any other information

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>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Nov 2020	Working Capital Term Loan	Long Term	1.75	ACUITE BB+   Stable (Assigned)
	Proposed Bank Facility	Long Term	4.07	ACUITE BB+ (Withdrawn)
	Term Loan	Long Term	1.38	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	0.06	ACUITE BB+ (Withdrawn)
	Term Loan	Long Term	3.00	ACUITE BB+ (Withdrawn)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Reaffirmed)
25 Oct 2019	Term Loan	Long Term	5.16	ACUITE BB+ (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	2.04	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.06	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	3.00	ACUITE BB+ (Issuer not co-operating*)
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	Term Loan	Long Term	7.27	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	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)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Cash Credit	Long Term	5.50	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	0.44	ACUITE BB   Stable (Assigned)
		Long		

25 Jul 2016	Term Loan	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**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+   Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+   Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.38	ACUITE BB+   Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.75	ACUITE BB+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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