

Sanskar Agro Processors Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	17.50	SMERA BB-/Stable (Assigned)
Term Loan	33.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	1.50	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Sanskar Agro Processors Private Limited (SAPPL). The outlook is '**Stable**'.

The ratings draw comfort from the long track record of operations, extensive experience of the management in the textile industry and comfortable working capital cycle. The ratings also factor in the improvement in scale of operations due to the recent capex undertaken by the company. However, the ratings are constrained by the moderate financial risk profile and susceptibility of profitability to volatility in raw material prices in an intensely competitive textile industry.

SAPPL, incorporated in 2003 is engaged in the ginning, pressing, milling and spinning of yarn. The promoters, Mr. Pawan Singhania and Mr. Kailash Ramgopal Singhania have around two decades of experience in the textile industry. SAPPL has comfortable working capital cycle of 58 days in FY2015-16 as compared to 44 days in FY2014-15 on account of debtors of 30 days (PY: 19 days) and inventory of 46 days (PY: 36 days) in FY2015-16. The average cash credit limit utilisation has been around 85 per cent in the last six months ended September 2016. SAPPL has gross current assets of 139 days in FY2015-16.

SAPPL has achieved operating income of Rs.92.23 crore in FY2015-16 as compared to Rs.90.16 crore in FY2014-15. For 6MFY2016-17, the company reported operating income of Rs.58.00 crore as compared to around Rs34.00 crore during the corresponding period last year. The improvement in scale of operations is mainly on account of capacity addition of 16300 spindles in the spinning unit.

SAPPL has a moderate financial risk profile marked by relatively high gearing (debt-to-equity ratio) of 2.33 times mainly on account of the recent capex of ~Rs.40.00 crore with bank borrowings of Rs.27.00 crore and the rest through promoters' funds as on March 31, 2016. The interest coverage ratio (ICR) stood at 2.41 times in FY2015-16. With the recent capex, the debt service coverage ratio (DSCR) is expected to deteriorate to around 1.25 times in FY2016-17.

However, the ratings are also constrained by the susceptibility of profit margins to volatility in cotton prices and intense competition in the textile industry.

Rating Sensitivity Factors

- Sustained improvement in revenues and profitability
- Movement in capital structure and coverage indicators
- Higher than envisaged debt funded capex
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook on SAPPL's rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while achieving significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

SAPPL, incorporated in 2003, is a Maharashtra-based company engaged in ginning, pressing, oil milling and spinning of cotton yarn. The company was promoted by Mr. Pawan Ramgopal Singhania, Mr. Kailash Ramgopal Singhania and Mrs. Sadhana Pawan Singhania. The ginning and spinning units are located at Waigaon, District-Wardha. The company's installed capacity has increased to 30000 spindles from 14000 spindles in February 2016.

For FY2015-16, SAPPL registered profit after tax (PAT) of Rs.2.08 crore on operating income of Rs.92.23 crore, as compared with PAT of Rs.1.16 crore on operating of Rs.90.16 crore in FY2014-15.

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ABOUT SMERA

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