

### Shekhawati Geotech Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	5.00	SMERA BBB-/Stable (Assigned)
Term Loan	8.50	SMERA BBB-/Stable (Assigned)
Proposed	0.50	SMERA BBB-/Stable (Assigned)

SMERA has assigned rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.14.00 crore bank facilities of Shekhawati Geotech Private Limited (SGPL).

The rating draws supported from the experienced management, the Kejriwal Group and strategic location of the project. However, the rating is constrained by the implementation stage of the project, susceptibility of profits to volatility in input prices and intense competition in the textile industry.

For arriving at the rating, SMERA has factored in the benefits derived from being a part of the Kejriwal Group. The Kejriwal group comprises Kejriwal Industries Limited (KIL), Kejriwal Geotech Private Limited (KGPL), Kejriwal Dyeing and Printing Mills Private Limited (KDPL) and SGPL.

SGPL is part of the Surat-based Kejriwal Group promoted by the Kejriwal family. The directors viz. Mr. Girdhari Kejriwal (Chartered accountant) and Mr. Ajay Kejriwal (Mechanical engineer) have more than two decades of experience in the textile industry. The Kejriwal Group is engaged in the manufacturing, texturising and dyeing of polyester yarn. While KGPL is engaged in the manufacturing of partially oriented yarn (POY), KIL is engaged in texturising and dyeing of yarn. KDPL is engaged in the dyeing of fabric on job work basis.

The financial risk profile of the Kejriwal Group is above average with gearing of 0.84 times as on March 31, 2016 (0.80 times as on March 31, 2015) and interest coverage of 3.58 times for FY2015-16 (2.74 times for FY2014-15). The group has infused unsecured loans of Rs.2.44 crore as on March 31, 2016 in SGPL. Further, the group has also given corporate guarantee to the credit facilities availed by SGPL.

SGPL is in the process of setting up a manufacturing plant for texturising of (POY) with an installed capacity of 3870 tonnes per annum. Commercial operations are expected to commence from December 2016. The company is expected to benefit from its experienced management and established position of the group. Additionally, it will also benefit from the operational synergies as KGPL manufactures the raw material (POY) required for operations of SGPL.

However, SGPL's margins are susceptible to fluctuations in prices of crude as the raw material used is polyester, a derivative of crude. The company is located at Surat, one of the biggest export centres for synthetic filament fibres.

#### Rating Sensitivity Factors

- Timely commencement of commercial operations
- Scaling up operations while maintaining profitability

#### Outlook-Stable

SMERA believes that SGPL will maintain a stable outlook owing to the promoters' extensive experience in the industry. The outlook may be revised to 'Positive' if the company is able to demonstrate net cash accruals commensurate to its debt repayment obligations. Conversely, the outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or higher debt requirements due to elongation of working capital cycle.

**Criteria applied to arrive at the ratings:**

- Group and Parent Notch up

**About the Company**

SGPL, incorporated in 2011 is engaged in the texturising of polyester yarn at its manufacturing facility at Palsana, Surat. The projected installed capacity is 3870 metric tonne per annum. The company is expected to start commercial operations by December 2016. The directors viz. Mr. Girdhari Kejriwal (Chartered accountant) and Mr. Ajay Kejriwal (Mechanical engineer) have more than two decades of experience in the textile industry.

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**ABOUT SMERA**

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