

Press Release

SHEKHAWATI GEOTECH PRIVATE LIMITED

February 17, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BBB+ / Outlook: Stable (Upgraded from SMERA BBB-/Stable)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BBB+**' (read as **SMERA BBB plus**) on the Rs. 14.00 crore bank facilities of SHEKHAWATI GEOTECH PRIVATE LIMITED. The outlook is '**Stable**'.

Shekhawati Geotech Private Limited (SGPL) is engaged in the manufacture of textured yarn and started commercial operations in November 2016. The company has seven texturizing machines with an installed capacity of 3780 tonne per annum. Kejriwal Group comprises of Kejriwal Industries Limited (KIL), Kejriwal Dyeing and Printing Limited (KDPL), Kejriwal Geotech Private Limited (KGPL) and Shekhawati Geotech Private Limited (SGPL). Incorporated in 2001, KIL manufactures polyester filament yarn, polyester dyed yarn, and polyester textured yarn. KDPL, incorporated in 2004, is a fabric-processing house with a synthetic fabric dyeing facility. KGPL commenced operations from April 2012 and manufactures POY and fully drawn yarn. SGPL, which commenced operations in November 2016, texturises yarn. SMERA has consolidated the business and financial risk profiles of SGPL with Kejriwal Industries Limited (KIL), Kejriwal Dyeing and Printing Limited (KDPL) and Kejriwal Geotech Private Limited (KGPL). The consolidation is due to common management, apart from significant financial and operational synergies within the group. The rating upgrade reflects stabilization of operations and sustained growth in revenue of Shekhawati Geotech Private Limited. Till December 2017 the company has reported net sales of Rs.63.52 crores as against Rs. 9.81 crore in FY16-17. Further the group has reported revenue of Rs.714.98 crore in FY2017 as against Rs.659.88 crore in the previous year.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company Mr. Girdhari Kejriwal, a chartered accountant by qualification has more than two decades experience in the yarn industry. Mr. Ajay Kejriwal, Director, is a mechanical engineer by profession and possesses more than a decade's experience in the yarn and textile industry.

- **Partly integrated operations**

The group has healthy operating efficiency, driven by the integrated nature of its operations. It started with a texturizing unit and later backward integrated into manufacturing of partially oriented yarn (POY) under KGPL, thus improving the operating margin. The integrated nature of operations also allows better inventory management.

- **Healthy financial risk profile**

The group is having healthy financial risk profile marked by high networth, low gearing and comfortable debt protection matrix. The networth stood at Rs 181.98 crore as against Rs.154.08 crore in the previous year. The gearing stood low at 0.32 times, as on March 31, 2017 as against 0.73 times in the previous year. The interest coverage ratio was above 6.59 times as on 31st March 2017 as against 3.58 times in the previous year. The net cash accrual to total debt ratio 0.85 times in FY 2017 as against 0.24 times in FY 2016. With no major debt-funded capex plans, the financial risk profile is expected to remain healthy over the medium term.

• Significant improvement in EBITDA Margins

The group has reported revenue of Rs.714.98 crore in FY 17 as against Rs.659.88 crores in the previous year. The EBITDA margin has improved considerably. The group has reported EBITDA margin of 9.28 percent in FY17 as against 6.18 percent in the previous year. The increase in margin is due to focus on higher value-added products such as dyed, bright and cationic yarns. Further the power cost has decreased due use of captive windmill. Further the increase in demand for and a high margin products will enable the group to sustain its operating profitability.

Weaknesses

• Susceptibility of operating margin to volatility in raw material prices

The raw material price constitutes of about 76.70 percent of the total revenue, hence group is exposed to fluctuations in raw material prices as the raw materials are crude oil derivatives. The price of crude oil is largely dependent on global crude oil prices.

• Intensive competition in the polyester industry

The polyester yarn industry is intensely competitive owing to the presence of a large number of players, which limits the group's bargaining power.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of SGPL with Kejriwal Industries Limited (KIL), Kejriwal Dyeing and Printing Limited (KDPL) and Kejriwal Geotech Private Limited (KGPL). The consolidation is due to common management, apart from significant financial and operational synergies within the group.

Outlook: Stable

SMERA believes that Kejriwal group's outlook will remain stable owing to promoters experience in the industry and strong market position in the textile industry. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of profitability margins or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	714.98	659.88	730.76
EBITDA	Rs. Cr.	66.32	40.78	36.77
PAT	Rs. Cr.	27.71	4.86	3.85
EBITDA Margin	(%)	9.28	6.18	5.03
PAT Margin	(%)	3.88	0.74	0.53
ROCE	(%)	19.31	8.61	16.83
Total Debt/Tangible Net Worth	Times	0.32	0.73	0.80
PBDIT/Interest	Times	6.59	3.58	2.73
Total Debt/PBDIT	Times	0.81	2.46	2.67
Gross Current Assets (Days)	Days	53	69	59

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Nov-2016	Term Loan	Long Term	INR 8.5	SMERA BBB- / Stable
	Cash Credit	Long Term	INR 5	SMERA BBB- / Stable
	Proposed Bank Facility	Long Term	INR 0.5	SMERA BBB- / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB+ / Stable (Upgraded from SMERA BBB-/Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BBB+ / Stable (Upgraded from SMERA BBB-/Stable)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BBB+ / Stable (Upgraded from SMERA BBB-/Stable)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*