

Siddhi Industries Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan I	35.00	SMERA B+/Stable (Assigned)
Cash Credit I	6.60	SMERA B+/Stable (Assigned)
Term Loan II	28.50	SMERA B+/Stable (Assigned)
Cash Credit II	4.40	SMERA B+/Stable (Assigned)
Bank Guarantee I	1.00	SMERA A4 (Assigned)
Bank Guarantee II	1.00	SMERA A4 (Assigned)
Non Fund Based Facility (Proposed)	0.40	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as SMERA B plus) and '**SMERA A4**' (read as SMERA A four) on the Rs.76.90 crore bank facilities of Siddhi Industries Limited (SIL). The outlook is '**Stable**'.

The ratings are constrained by the project implementation and stabilisation risk. However, the ratings are supported by the experienced management and proximity of the plant to raw material sources in Gujarat. The ratings also factor in the fiscal benefits extended by the government to spinning units.

SIL incorporated in 2011, is an Ahmedabad-based company promoted by Mr. Markand Parikh and family. The company is part of the Siddhi Group with interests in agro and engineering sectors and has ventured into textiles for the first time. Mr. Markand Parikh, Director is well supported by Mr. G.R. Basotia, CEO who possesses over two decades of experience in the textile industry.

SIL plans to set up a spinning unit for cotton yarn manufacturing with 24480 spindles having installed capacity of 4762 metric tonnes per annum (MTPA) at Gujarat. The total project cost of Rs.118.17 crore, is expected to be financed through equity of Rs.35.00 crore, term loan of Rs.63.50 crore and unsecured loans from friends and relatives of Rs.19.67 crore. The project is at the final stage with installation of Reiter machinery pending. Commercial production is expected to commence in April 2017.

SIL is expected to receive interest subsidy of 7 per cent and capital subsidy of 5 per cent apart from Rs.1 per unit power subsidy from the Gujarat government. Further, the manufacturing facilities are located in close proximity to raw material source.

Rating Sensitivity Factors

- Timely completion of the project and commencement of production
- Generating revenues and profits as envisaged

Outlook – Stable

SMERA believes that SIL's outlook will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Negative' in case of project delays resulting in increase in cost and time overruns or if the company takes up large debts on its book for implementation of the ongoing project. Conversely, the outlook may be revised to 'Positive' if SIL completes the project on time and generates adequate cash flows.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SIL, incorporated in 2011, is an Ahmedabad-based company promoted by Mr. Markand V. Parikh and family. The company is setting up a spinning unit with 24480 spindles having installed capacity of 4762 MTPA to manufacture cotton yarn of 30s and 40s counts. The project is under implementation and expected to commence commercial production in April 2017. The registered office of the company is located at Sanand, Ahmedabad while the manufacturing facility is at Dholka, Ahmedabad.

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ABOUT SMERA

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