

Press Release

SIDDHI INDUSTRIES LIMITED

21 March, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 76.90 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 76.90 crore bank facilities of SIDDHI INDUSTRIES LIMITED. The outlook is '**Stable**'.

Siddhi Industries Limited, incorporated in 2011 has established a cotton spinning unit with 24,480 spindles. The mill is manufacturing cotton yarn of 30s, 32s and 40s counts and is operational from July 2017. The company is promoted by Mr. Markand Parikh and his family members.

Key Rating Drivers

Strengths

- Timely completion of project within the stipulated timeframe**

The company has completed the project on expected date with the beginning of sales of yarn to the customers. The company has registered revenues of Rs. 44.6 cr till Feb, 2018 with operating margins of 13.96%. This is expected to increase to Rs. 90 cr in FY19 with full year of operations and high capacity utilisation of the company. The total debt of the company stands at Rs. 87.01 cr comprising of term loan Rs. 55.78cr, unsecured loan of Rs. 24.35cr and working capital borrowings of Rs. 6.88cr as on Jan 31, 2018.

- Proximity to cotton growing areas**

The project is in cotton growing belt of Gujarat State. Over 50% of cotton crop area in the state is irrigated and Gujarat being one of the major producers of raw cotton. Further there are large numbers of ginning mills operating in the area from whom the required quantity of ginning cotton is being purchased. The company sells to traders in the yarn segment.

Weaknesses

- Limited track record in textile industry**

SIL is promoted by Mr. Markand Parikh and his family members and has established a cotton spinning unit with 24480 spindles. The mill will be manufacturing cotton yarn of 30s and 40s counts and is expected to be operational from July 2017. Mr. G.R. Basotia is the CEO of the company, who has more than 40 years of experience in textile sector working in cotton mills and other related entities.

- Initial stage of operations**

SIL has built up the facility for manufacturing of cotton yarn with 24480 spindles having installed capacity of 4762 MTPA. The project cost incurred is Rs.107.45crore (equity of Rs.35.00 crore, term loan of Rs.55.86crore and unsecure loans of Rs. 16.59crore). The company has commenced operations in July, 2017 and has completed only 7-8 months of full operations with revenues at Rs. 44.6 cr till Feb, 2018.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profile of the rated entity.

Outlook: Stable

SMERA believes SIL's outlook will remain stable over the medium term with the project being in operation. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while improving margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in SIL's business and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.02	0.00	0.00
EBITDA	Rs. Cr.	0.01	0.00	-0.01
PAT	Rs. Cr.	0.18	-0.05	-0.03
EBITDA Margin	(%)	40.12	0.00	0.00
PAT Margin	(%)	795.62	0.00	0.00
ROCE	(%)	0.40	-0.21	-0.23
Total Debt/Tangible Net Worth	Times	1.13	-160.93	-208.05
PBDIT/Interest	Times	295.18	0.00	-141.33
Total Debt/PBDIT	Times	151.51	-9868.44	-4624.76
Gross Current Assets (Days)	Days	48615	0	0

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

NA

Any other information

NA

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
30-Dec-2016	Term Loan	Long Term	INR 35	SMERA B+ / Stable
	Cash Credit	Long Term	INR 6.6	SMERA B+ / Stable
	Term Loan	Long Term	INR 28.5	SMERA B+ / Stable
	Cash Credit	Long Term	INR 4.4	SMERA B+ / Stable
	Bank Guarantee	Short Term	INR 1	SMERA A4
	Bank Guarantee	Short Term	INR 1	SMERA A4
	Proposed Working Capital	Short	INR 0.4	SMERA A4

Demand Loan	Term	
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*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	31.95	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	25.95	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.60	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.40	SMERA BB / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.75	SMERA A4+
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB / Stable

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ABOUT SMERA

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