

Press Release

Siddhi Industries Limited

October 08, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 54.77 Cr.#
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of **ACUITE A4+ (read as ACUITE A four plus)** on the Rs.54.77 crore bank facilities of Siddhi Industries Limited. The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

About the company

Siddhi Industries Limited (SIL) based at Ahmedabad, was incorporated in 2011. The company is engaged in manufacturing of cotton yarn of 30s, 32s and 40s counts and commenced its operations from July 2017. The company is promoted by Mr. Markand Parikh and his family members. The company has established a cotton spinning unit at Ahmedabad consist of 24,480 spindles with an installed capacity to manufacture 5,796 MTPA.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SIL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter Mr. Markand Parikh possess over four decades of in various industry. The extensive experience of the promoter has helped the company in establishing relationship with clients and suppliers. The company commenced its commercial operations from July 2017 and currently operating at optimal capacity utilization level. Operating income of the company stood declined to Rs. 126.02 crores in FY2020 as against Rs. 130.31 crores in FY2019 and Rs. 69.60 crores in FY2018. The company has achieved revenue of Rs. 122.07 crores in FY2021 (Provisional). The operating margins stood at 17.10 in FY2021 (Provisional) and 9.38 in FY2020 as against 13.24 percent in FY2019 and 18.49 percent in FY2018. Further, the company has established its market for their products in Gujarat, Rajasthan, Maharashtra and Haryana. Acuité believes that growing scale of operations and improving revenues will help the company to maintain moderate financial risk profile over the medium term.

- **Proximity to cotton growing areas**

The installed manufacturing unit is located at cotton growing belt of Gujarat State. Gujarat is one of the major producers of raw cotton with 50 percent of the total production from this state. Thus, it ensures easy availability of raw material. 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

- **Moderate Financial risk profile**

The financial risk profile of SIL have remained moderate marked by net worth of Rs 40.88 crore as on 31st March 2021 and Rs. 35.78 crore as on 31 March, 2020 as against Rs. 35.97 crores as on 31 March, 2019. The gearing (debt/equity) stood moderate at 1.91 times as on 31 March 2021 (Provisional) as against 2.12 times as on 31 March, 2020 and 2.25 times as on 31 March, 2019. The moderate profitability coupled with high gearing levels have resulted in moderate debt protection metrics with interest coverage of 4.62 times as on March 31, 2021 (Provisional) as against 2.45 times as on March 31, 2020. NCA/TD stood at 0.21 times as on March 31, 2021 (Provisional) as against 0.08 times as on March 31, 2020. TOL/TNW ratio remained high at 2.21 times as on March 31, 2021 as against 2.50 time as on March 31, 2020. DSCR stood at 1.65 times as on March 31, 2021 as against 0.84 times as on March 31, 2020. In FY2021 (Provisional) Net cash accruals have stood at Rs. 16.50 crore.

- **Highly competitive and fragmented industry marked by susceptibility of margins to raw material price fluctuation**

The operating margins of the company depend on prices of raw material, i.e. raw cotton which is highly volatile in nature. The prices of cotton depends upon factors including area under production, yield for the year, international demand supply scenario, export quota decided by government and inventory carry forward of last year which exposes the textile players to price volatility risk. Further, cotton being a seasonal crop is dependent upon the vagaries of monsoon.

Rating Sensitivity

Not Applicable

Material Covenants

None

Liquidity position: Adequate

SIL has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.16.50 to Rs.7.12 crore during the last three years through 2018-21, while its maturing debt obligations were in the range of Rs.8.20– 8.25 crore over the same period. The company maintains unencumbered cash and bank balances of Rs. 0.01 crore as on March 31, 2021 (Provisional). The current ratio of the company stood moderate at 4.78 times as on March 31, 2021. Acuité expects the company to maintain adequate liquidity over the medium term.

Outlook: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY21(Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	122.07	126.02
PAT	Rs. Cr.	10.22	(0.10)
PAT Margin	(%)	8.37	(0.08)
Total Debt/Tangible Net Worth	Times	1.91	2.12
PBDIT/Interest	Times	4.62	2.45

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Jan-2021	Term Loan	Long Term	18.69	ACUITE BB/Stable (Reaffirmed)
	Cash Credit	Long Term	6.60	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	13.36	ACUITE BB/Stable (Reaffirmed)
	Cash Credit	Long Term	4.40	ACUITE BB/Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	5.72	ACUITE BB/Stable (Assigned)
	Working Capital Term Loan	Long Term	4.00	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
29-Nov-2019	Term loans	Long Term	27.14	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	6.60	ACUITE BB / Stable (Reaffirmed)
	Bank guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Bank guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Term loans	Long Term	21.35	ACUITE BB / Stable (Reaffirmed)
	Proposed Facility	Long Term	15.41	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	4.40	ACUITE BB / Stable (Reaffirmed)
20-Mar-2019	Term loans	Long Term	28.72	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	6.60	ACUITE BB / Stable (Reaffirmed)
	Bank guarantee	Short Term	1.75	ACUITE A4+ (Reaffirmed)
	Bank guarantee	Short Term	2.75	ACUITE A4+ (Reaffirmed)
	Term loans	Long Term	24.03	ACUITE BB / Stable (Reaffirmed)

	Proposed Facility	Long Term	9.05	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB / Stable (Reaffirmed)
21-Mar-2018	Term Loan	Long Term	31.95	ACUITE BB / Stable (Upgraded)
	Term Loan	Long Term	25.95	ACUITE BB / Stable (Upgraded)
	Cash Credit	Long Term	6.60	ACUITE BB / Stable (Upgraded)
	Cash Credit	Long Term	4.40	ACUITE BB / Stable (Upgraded)
	Bank Guarantee	Short Term	2.75	ACUITE A4+ (Upgraded)
	Bank Guarantee	Short Term	1.75	ACUITE A4+ (Upgraded)
	Proposed Long Term Loan	Long Term	3.50	ACUITE BB / Stable (Upgraded)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
State Bank of India	Term Loan	Nov 2017	Not Applicable	March 2025	18.69	ACUITE BB (Withdrawn)
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.60	ACUITE BB (Withdrawn)
Bank of Baroda (E- Vijaya Bank)	Term Loan	Nov 2017	Not Applicable	May 2024	13.36	ACUITE BB (Withdrawn)
Bank of Baroda (E- Vijaya Bank)	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.40	ACUITE BB (Withdrawn)
State Bank of India	Working Capital Term Loan	Sept 2020	Not Applicable	Nov 2024	5.72	ACUITE BB (Withdrawn)
Bank of Baroda (E- Vijaya Bank)	Working Capital Term Loan	Sept 2020	Not Applicable	Nov 2024	4.00	ACUITE BB (Withdrawn)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Withdrawn)
Bank of Baroda (E- Vijaya Bank)	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research Limited:

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