

Press Release

SILVER FAB SUITING PRIVATE LIMITED

14 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB** (read as SMERA double B) on the Rs. 6.50 crore bank facilities of SILVER FAB SUITING PRIVATE LIMITED (SFSPL). The outlook is '**Stable**'.

The Rajasthan-based SFSPL was established as a proprietary concern in 1988 and incorporated as a private limited company in 2003. Promoted by Mr. Sampat Lal Chordia, Mr. Sushil Chordia, Mr. Sandeep Chordia and others, the company is engaged in the manufacturing of cotton and PV blended suiting fabric using Sulzer technology. Further, the company undertakes job work for other manufacturers and trades in grey and finished fabric. The manufacturing unit is located at Bhilwara, Rajasthan with installed capacity of 2.5 lakh meters per month.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

SFSPL has operational track record of around three decades in the garment industry and has long term relations with reputed customers and suppliers. Mr. Sampat Lal Chordia, the founding director has more than three decades of experience in textiles. He is ably supported by Mr. Sushil Chordia and Mr. Sandeep Chordia in the day-to-day business activities.

- **Healthy financial risk profile**

The financial risk profile is marked by comfortable net worth of Rs.11.39 crore as on 31 March, 2017 compared to Rs 10.06 crore as on 31 March, 2016. The debt-to-equity ratio is comfortable and stands at 0.35 times for FY2017 compared to 0.55 times for FY2016. The total debt stands at Rs 3.99 of which Rs 0.38 crore is secured loan and Rs 3.62 crore is short term borrowings as on 31 March, 2017. The Interest Coverage Ratio stood at 4.65 times for FY2017 compared to 3.24 times for FY2016.

- **Location advantage**

The main raw material of the company is polyester and cotton yarn. The company is located at Bhilwara, one of the largest textile clusters in India. Majority of the industries are engaged in the manufacturing of synthetic yarn accounting for nearly 40 percent of India's total synthetic yarn production and nearly 50 percent of the total polyester fabrics and suiting production.

Weaknesses

- **Declining revenue with moderate profitability margins**

The scale of operations declined from Rs 37.83 crore to Rs 31.48 crore. The same has been attributed to external factors including market condition and demonetisation. The group has registered increase in sales volume. However, sales realisation has declined owing to the lower raw material prices. The operating profitability has remained moderate at 6.25 percent in FY2017 and is in line with operating profitability of 5.09 percent in the previous year.

• **Working capital intensive business**

SFSPL's operations are working capital intensive reflected in the high GCA days of 165 in FY2017 as compared to 152 days in FY2016. The GCA days are mainly dominated by high inventory of 84 days and debtors of 81 days in FY2017. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Analytical Approach

SMERA consolidated business and financial risk profile of SFSPL for the process of rating.

Outlook: Stable

SMERA believes that SFSPL will maintain a stable outlook over the medium term on the back of its experienced management and established business model. The outlook may be revised to 'Positive' in case of healthy growth in revenue while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins or deterioration in the capital structure on account of higher than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	31.48	37.83	47.16
EBITDA	Rs. Cr.	1.97	1.92	2.61
PAT	Rs. Cr.	1.33	0.54	0.61
EBITDA Margin	(%)	6.25	5.09	5.53
PAT Margin	(%)	4.23	1.44	1.30
ROCE	(%)	15.99	8.02	21.07
Total Debt/Tangible Net Worth	Times	0.35	0.55	1.03
PBDIT/Interest	Times	4.65	3.24	2.30
Total Debt/PBDIT	Times	2.03	2.90	3.77
Gross Current Assets (Days)	Days	165	152	147

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

Silver Fab Suiting Private Limited (SFSPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on SFSPL's bank facilities will now be denoted as CARE BB-; ISSUER NOT COOPERATING*.

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA BB / Stable

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ABOUT SMERA

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