

## Press Release

### SARAANSH SUITINGS PRIVATE LIMITED

14 February, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 12.50 Cr.
<b>Long Term Rating</b>	SMERA BB+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs. 12.50 crore bank facilities of SARAANSH SUITINGS PRIVATE LIMITED (SSPL). The outlook is '**Stable**'.

The Rajasthan-based Saraansh Suitings Private Limited was incorporated in 2012 under the directorship of Mr. Sandeep Chordia, Mr. Sunil Chordia, Mr. Sampat Lal Chordia and others. The company manufactures cotton, polyester and viscose blended suiting fabric using air jet technology and caters to the ready-made garment segment in India as well as overseas. Further, the company undertakes job work for other manufacturers and trades in grey and finished fabric. The installed capacity stands at 52 looms with monthly capacity of 8 lakh meters per month.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The key promoter, Mr. Sampat Lal Chordia has more than three decades of experience in the textile industry and is ably supported by Mr. Sushil Chordia and Mr. Sandeep Chordia in the day-to-day business.

- **Healthy financial risk profile**

The financial risk profile is marked by comfortable net worth of Rs 10.31 crore as on 31 March, 2017 compared to Rs 9.53 crore as on 31 March, 2016. The company's adjusted debt-to-equity ratio stood at 1.00 for FY2017 compared to 1.12 times for FY2016. The total debt consists of Rs 13.02 with Rs 5.47 crore of long term loans and Rs 7.56 crore of short term borrowings as on 31 March, 2017. The Interest Coverage Ratio is comfortable at 2.99 times for FY2017 as against 2.63 times for FY2016.

- **Locational 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. This accounts for nearly 40 percent of India's total synthetic yarn production and nearly 50 percent of the total polyester fabrics and suiting production.

#### Weaknesses

- **Moderate scale of operations, declining profitability margins**

The scale of operations is moderate with operating revenue of Rs 42.39 crore in FY2017 as against Rs 38.53 crore in FY2016. The operating margin registered a decline from 13.81 percent in FY2016 to 11.84 percent in FY2017 despite an increase in revenue mainly on account of lower realisation from sales. The net profitability also registered a decline from 2.67 percent in FY2017 to 2.23 percent in FY2017.

- **Working capital intensive business**

The operations are working capital intensive reflected in the high GCA days of 158 in FY2017 as compared to 151 days in FY2016. The GCA days are mainly dominated by high inventory of 114 days in FY2017.

SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Highly fragmented and competitive industry**

The group operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits its bargaining power with customers.

### Analytical Approach

SMERA has considered standalone business and financial risk profile of Saraansh Suiting Private Limited for the purpose of rating.

### Outlook: Stable

SMERA believes that SSPL 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.	42.39	38.53	37.84
EBITDA	Rs. Cr.	2.99	3.32	3.25
PAT	Rs. Cr.	0.95	1.03	0.83
EBITDA Margin	(%)	11.84	13.81	13.95
PAT Margin	(%)	2.23	2.67	2.20
ROCE	(%)	11.29	11.64	21.03
Total Debt/Tangible Net Worth	Times	2.05	2.29	3.21
PBDIT/Interest	Times	2.99	2.63	2.62
Total Debt/PBDIT	Times	3.13	3.19	4.15
Gross Current Assets (Days)	Days	152	150	185

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

CARE has been seeking information from Saraansh Suitings Private Limited (SSPL), to monitor the rating vide e-mail communications/ letters dated October 10, 2017, January 04, 2018, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. Further, SSPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines CARE's rating on ROFE's bank facilities will now be denoted as CARE BB-/ CARE A4; 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>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
Term loans	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BB+ / Stable

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## ABOUT SMERA

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