

Press Release

SARAANSH SUITINGS PRIVATE LIMITED

14 February, 2018

Rating Assigned



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 12.50 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 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 FY2016.

• 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

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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