

Press Release**Sambodhi Synthetics Private Limited**

May 29, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.90 Cr.
Long Term Rating	SMERA B / Outlook: Stable

** Refer Annexure for details***Rating Rationale**

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** on the Rs. 8.90 crore bank facilities of Sambodhi Synthetics Private Limited. The outlook is '**Stable**'.

Sambodhi Synthetics Private Limited (SSPL), previously established as a partnership firm in 2002, was reconstituted as private limited in 2017. SSPL manufactures Polyester yarn, but before its conversion, the company dealt in trading activities. The company has its corporate office and a manufacturing facility located in Bhilwara (Rajasthan). Mr. Manish Asawa, Mrs. Shakuntala Asawa and Mr. Ram Pal Asawa are the key directors of the company. The company has a diversified customer base all over India. The manufacturing capacity is 1.8 lacs metres per month. The utilisation of the manufacturing capacity of the company is 85 percent.

Key Rating Drivers**Strengths****• Experienced management**

Sambodhi Synthetics Private Limited (SSPL) was established in 2017 by Mr. Manish Asawa Mrs. Shakuntala Asawa and Mr. Ram Pal Asawa. The company prior to its incorporation functioned as a partnership firm under the name 'Sambodhi Synthetics'. The directors of the company have experience of 15 years in the said line of business.

• Improved profitability indicators

The profitability of SSPL has improved significantly which is marked by augmentation in the EBITDA margin which can be observed as it has risen from 4.81 percent in FY2017 to 9.60 percent in FY2018 (Provisional). The company's ability of earning better profit margins can be noted by as the PAT margin has improved from 0.54 percent in FY2016 to 2.31 percent in FY2017. Further, the NCA margin has improved from 0.64 percent in FY2017 to 3.66 percent in FY2018 (Provisional). These improvements in the profitability metrics are attributable to the company changing its business model from indulging into trading and job work activities to manufacturing activities.

• Close proximity to raw material and labour

SSPL has abundant availability of raw material and labour on account of being closer to its customers. The customers of SSPL are located near its manufacturing plant in Bhilwara (Rajasthan).

• Moderate working capital management and debt protection metrics

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 240 days as on 31 March, 2018 (Provisional) compared to 199 days as on 31 March, 2017. The company has moderate debtor days of 91 as on 31 March, 2018 (Provisional) as compared to 94 days as on 31 March, 2017. SMERA believes that efficient working capital management will be crucial for the company in order to maintain a stable credit profile. Further, the company has a moderate financial risk profile marked by Interest Coverage Ratio of 1.97 times as on 31 March, 2018 (Provisional) as compared to 1.15 times as on 31 March, 2017. Further, the DSCR of SSPL stood at 1.74 times as on 31 March, 2018 (Provisional) as compared to 1.15 times as on 31 March, 2017.

Weaknesses

- **Below average financial risk profile**

SSPL has below average financial risk profile marked by high gearing at 2.55 times as on 31 March, 2018 (provisional), this is an improvement from 3.38 times as on 31 March, 2017. Further, net worth stood at Rs.4.03 crore as on 31 March, 2018 (provisional) as against Rs.1.65 crore as on 31 March, 2017.

- **Operating margins are susceptible to volatility in raw material prices**

The operating margins of the company are susceptible to volatility in raw material prices.

- **Operating in highly competitive and fragment textile industry**

The company is operating in highly competitive and fragment textile industry which impacts its profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SSPL to arrive at the rating.

Outlook: Stable

SMERA believes that the SSPL will maintain a 'Stable' outlook over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while improving financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' if there is a steep decline in revenues and profitability or deterioration in financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	24.01	31.22	0.00
EBITDA	Rs. Cr.	2.30	0.00	0.00
PAT	Rs. Cr.	0.55	0.00	0.00
EBITDA Margin	(%)	9.60	4.81	4.66
PAT Margin	(%)	2.31	0.54	0.60
ROCE	(%)	18.87	22.48	23.00
Total Debt/Tangible Net Worth	Times	2.55	3.38	8.12
PBDIT/Interest	Times	1.97	1.15	1.15
Total Debt/PBDIT	Times	4.36	3.58	4.40
Gross Current Assets (Days)	Days	240	199	196

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

Not Applicable

Any other information

None

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.90	SMERA B / Stable

Contacts

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ABOUT SMERA

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