

Press Release

Silkon Synthetics And Cotton Dyeing Private Limited

May 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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 BB) on the Rs. 10.00 crore bank facilities of Silkon Synthetics And Cotton Dyeing Private Limited. The outlook is '**Stable**'.

Silkon Synthetics and Cotton Dyeing Private Limited (SSCD) was incorporated in 2004 by Mr. Mithalal Motilal Jain, Mr. Ashok Motilal Jain, Mr. Sumer Motilal Jain and Mr. Dilip Mithalal Jain. SSCD is engaged in the business of dyeing of yarn on job work basis for others as well as for own selling, sizing of fabrics on job work for others and sale of fabrics in both cotton and synthetics segments. The manufacturing facility is located at Bhiwandi (Maharashtra) with an installed capacity of 23,00,000 Kgs for yarn dyeing and 6,00,000 Kgs for sizing per annum.

Key Rating Drivers

Strengths

- **Extensive experience of the promoters:**

The promoters have over four decades of experience in the industry and have developed healthy relations with customers and suppliers. SMERA believes that the company will continue to benefit from its promoters' extensive industry experience over the long term.

- **Moderate financial risk profile:**

The company has moderate financial risk profile marked by net worth of Rs.16.11 crore (Provisional) as on 31 March, 2018 as against Rs.13.41 crore as on 31 March, 2017. Networth includes interest bearing unsecured loans from Directors of Rs.6.36 crore as same are subordinated to bank debt. The gearing stood at 0.28 times (Provisional) in FY2018 as against 0.41 times in FY2017. The total debt of Rs.4.58 crore (Provisional) outstanding as on 31 March, 2018 comprises Rs.0.04 crore of long term debt and Rs.4.54 crore of working capital funds. The Interest Coverage Ratio (ICR) stood at 2.66 times (Provisional) in FY2018 as against 3.70 times in FY2017. This is due to decline in profitability of the company. The Debt Service Coverage Ratio (DSCR) stood at 1.38 times (Provisional) in FY2018 as against 1.30 times in FY2017. The net cash accruals stood at Rs.1.76 crore (Provisional) as against debt obligation of Rs.0.04 crore in FY2018.

Weaknesses

- **Susceptibility of operating margins to volatile in raw materialprices:**

The margins are highly susceptible to changes in raw material, i.e. cotton yarn, prices. The prices of these raw materials are influenced by the market forces.

- **Highly competitive and fragmented industry:**

The textile industry is highly fragmented and dominated by a large number of organised and unorganised players leading to intense market competition.

- **Working capital intensive nature of operations:**

The operations remained working capital intensive as evident from Gross Current Asset (GCA) days of 278

days (Provisional) in FY2018 as compared to 241 days in FY2017. This is mainly due to high inventory holding period of 179 days (Provisional) in FY2018 as against 147 days in FY2017 and stretched debtor days of 104 (Provisional) in FY2018 as against 147 in FY2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Silkon Synthetics & Cotton Dyeing Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that SSCD will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company generates substantial and sustainable revenues or operating margins while maintaining its average financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.68	24.21	31.42
EBITDA	Rs. Cr.	3.02	3.39	4.15
PAT	Rs. Cr.	0.72	1.09	1.69
EBITDA Margin	(%)	12.75	14.01	13.22
PAT Margin	(%)	3.06	4.51	5.37
ROCE	(%)	10.63	13.83	19.26
Total Debt/Tangible Net Worth	Times	0.29	0.41	0.46
PBDIT/Interest	Times	2.49	3.70	5.99
Total Debt/PBDIT	Times	1.52	1.62	1.26
Gross Current Assets (Days)	Days	278	241	168

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	6.00	SMERA BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB / Stable

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ABOUT SMERA

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