

Press Release

Super Spintex Private Limited

October 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 135.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 135.00 crore bank facilities of Super Spintex Private Limited (SSPL). The outlook is '**Stable**'.

SSPL was incorporated on January 19, 2016. The company is engaged in manufacturing of cotton yarn of various counts ranging from 16s to 40s. The manufacturing unit is based at Jamnagar (Gujarat). The company has 51072 spindles with an installed capacity of 11,577 metric tonnes per annum. The company is promoted by Mr. Suresh G. Kachadia and Mr. Atul G. Kachadia. For the total project cost of Rs.172.96 crore, the company has availed term loan of Rs.108 crore, equity of Rs.40.00 crore and balance in form of unsecured loans from directors. The commercial operations of the company have started from September 2017.

Key Rating Drivers

Strengths

- **Ongoing support from Promoters**

The company was incorporated in 2016 and the promoters possess experience of over three decades in manufacturing sector. The experience of the promoters has helped the company establish relations with customer and suppliers. The promoters have supported the operations of the company by infusing equity of Rs.40.00 crore and unsecured loan of Rs.24.83 crore as on 31 March, 2018. This has helped SSPL achieve revenue of Rs.81.08 crore and for 6MFY2019 (Provisional). The company has achieved revenues of Rs.55.46 crore despite being a greenfield company and 7 months of operations in FY2018.

The company's ability to scaling up the business by optimum utilisation of installed capacity, generating positive cash flows from business and ongoing support from promoter group will remain key rating sensitivity factor.

- **Financial incentives and subsidies from state and central government:**

SSPL is entitled to interest subsidy of 7 percent on project debt or maximum ceiling of Rs.7.50 crore and subsidy on power cost of Rs.1.00 per unit for a period of 5 years under the Gujarat Textile Policy introduced by the Government of Gujarat (GoG). Further, SSPL will also be entitled to refund of value added tax (VAT) benefit on eligible indigenous machinery which are likely to provide benefits in stabilising and scaling up its operations. Furthermore, the repayment of term-loan will commence in August, 2018 which is expected to provide adequate time to the management to stabilise the operations and generate surplus cash flow for debtrepayment.

Weaknesses

- **Moderate financial risk profile**

The total project cost of SSPL is Rs.172.96 crore which is funded by term loan of Rs.108.00 crore capital of Rs.40.00 crore and balance by unsecured loan. Considering the unsecured loan as quasi-equity, the gearing of the company stood moderate at 1.87 times as on 31 March, 2018. The total debt of Rs.116.78 crore as on 31 March, 2018 comprises of term loan of Rs.105.08 crore and rest is working capital facility from bank.

Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.04 times as on 31 March, 2018. The company is yet to generate cash flows equivalent to its debt obligation. The repayment for term loan has started from August 2018 and timely debt repayment of the term loan will remain a key rating sensitivity factor for the company.

• **Susceptibility of profitability margins to volatility in the raw material prices**

The prices of polyester and cotton yarn are highly volatile in nature. The prices of the raw materials are linked to various factors such as monsoon, land under cultivation, international demand and supply, crude oil prices among others. Cotton being a major raw material for cotton spinning, any adverse change in the raw material prices will directly impact the profitability margins of the company.

Acuite believes that the ability of the company to maintain the profitability margin would be a key rating sensitivity.

• **Cyclical and fragmented industry**

SSPL operates in a cyclical and fragmented cotton yarn industry marked by organised as well as unorganised players which limits the pricing abilities of the players in the industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Super Spintex Private Limited to arrive at the rating.

Outlook: Stable

Acuite believes that SSPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and ongoing support from the promoter group. The outlook may be revised to 'Positive' in case of substantial increase in revenues and profitability while sustaining its liquidity position and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the promoters withdraw their support, steep decline in revenue, profit margins or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	81.08	0.00
EBITDA	Rs. Cr.	6.57	-0.05
PAT	Rs. Cr.	-2.28	-0.05
EBITDA Margin	(%)	8.10	0.00
PAT Margin	(%)	-2.82	0.00
ROCE	(%)	-1.37	-0.17
Total Debt/Tangible Net Worth	Times	1.87	0.00
PBDIT/Interest	Times	4.50	0.00
Total Debt/PBDIT	Times	17.46	0.00
Gross Current Assets (Days)	Days	223	0

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Term loans	Not Applicable	Not Applicable	Not Applicable	48.00	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

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About Acuité Ratings & Research:

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