

Press Release

Suraj Dyeing And Printing Limited

October 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.95 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 8.95 crore bank facilities of Suraj Dyeing And Printing Limited (SDPL). The outlook is '**Stable**'.

Earlier incorporated as Citizen Sulz Private Limited in 2008, SDPL is a Rajasthan-based company promoted by Mr. Raj Kumar Agarwal, Mr. Ramesh Agarwal, Mr. Lalit Agarwal and Mr. Tushar Agarwal. The company is engaged in dyeing and printing of cotton and polyester fabrics on job work basis. The company has its manufacturing unit located at Palsana in Surat with installed capacity of dyeing 20 lakh meters per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SDPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

SDPL was incorporated in 2008 as Citizen Sulz Private Limited which was engaged in manufacturing of grey fabric. Later in 2017, the name changed to Suraj Dyeing and Printing Limited which diversified its business in dyeing and printing of polyester and cotton fabrics on job work basis. The company is promoted by Mr. Raj Kumar Agarwal, Mr. Ramesh Agarwal, Mr. Lalit Agarwal who possess vast experience of more than two decades in textile industry and Mr. Tushar Agarwal manages the day to day affairs.

Acuité believes that SDPL will continue to benefit from its experienced management which will help the company to maintain long standing relations with its customers and supplier such as Colourtex Industries Private Limited, Spectrum Dyes and Chemicals Private Limited and Pidilite among others.

Weaknesses

- **Debt funded capital expenditure**

The total project cost of SDPL is Rs.18.05 crore which is financed through a term loan of Rs.7.45 crore and through internal accruals of Rs.10.60 crore. The dyeing of polyester fabrics started from September 2018 and dyeing of cotton fabrics is expected to start in December 2018. However, the project is exposed to time and costs overrun risk.

Acuité believes that the company's ability to generate cash accruals over the medium term would be a key sensitivity factor.

- **Nascent stage of operations**

SDPL is currently engaged in dyeing of polyester fabrics. Dyeing of cotton fabrics is expected to start in December 2018. Also, printing division is expected to start in FY2020. It is in its initial stage of operations and yet to demonstrate its performance.

Acuité believes that the operations of the company are at a very nascent stage and the company's ability to optimally utilise its capacity to generate cash flows to meet their outstanding debt obligations would be key sensitivity factor.

Outlook: Stable

Acuité believes that SDPL will maintain 'Stable' business risk profile on account of the management's vast experience in the textile industry. The outlook may be revised to 'Positive' in case of optimal utilisation of capacity leading to improvement in revenues and accruals. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in scale of operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	3.68	0.40	1.12
EBITDA	Rs. Cr.	0.05	0.00	0.05
PAT	Rs. Cr.	0.03	0.00	0.01
EBITDA Margin	(%)	1.23	-0.08	4.69
PAT Margin	(%)	0.69	0.29	0.88
ROCE	(%)	0.79	0.06	19.12
Total Debt/Tangible Net Worth	Times	1.22	0.14	4.46
PBDIT/Interest	Times	4.78	18.00	1.42
Total Debt/PBDIT	Times	87.56	195.03	8.35
Gross Current Assets (Days)	Days	105	3435	319

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	7.45	ACUITE B+ / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE B+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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