

Press Release

Samyak Creations Private Limited

July 08, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.44 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 6.44 crore bank facilities of SAMYAK CREATIONS PRIVATE LIMITED (SCPL). The outlook is '**Stable**'.

Varanasi-based, Samyak creation private limited was incorporated in 2014 by Mr. Amit Poddar, Mrs. Abhilasha Poddar, Mr. Ravi Kant Poddar and Mrs. Meera Poddar. The company is engaged in embroidery work, fringes and laces. Further SCPL has installed capacity of embroidering 135000 sarees per annum. The capacity utilization as on 31st March, 2019 stood at 92 per cent.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SCPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

SCPL was incorporated in 2014, the managing director Mr. Amit poddar have an experience of around 2 decades in the aforementioned line of business. Further Acuite believes that due to experienced management which is backed by their established presence in the industry have been able to generate long term relationship with customers as well as suppliers.

Weaknesses

• Weak financial risk profile

The financial risk profile is weak marked by tangible net worth of Rs.3.26 crore as on March 31, 2019(Provisional) as against Rs.2.65 crore as on March 31, 2018. The total debt of Rs.7.74 crore outstanding as on 31 March, 2019 (Provisional) comprises term loan of Rs.4.64 crore, unsecured loan amounted to Rs.0.46 crore, working capital borrowings of Rs.1.84 crore and Rs.0.80 crore of current portion of long term debt. The debt to equity ratio stood at 2.37 times as on 31 March, 2019(Provisional) as against 2.46 times as on 31 March, 2018. Interest coverage ratio stood at 2.30 times for FY2019 (Provisional) as against 2.48 times for FY2018. NCA/TD ratio stood at 0.11 times in FY2019 (Provisional).

• Highly competitive and fragmented nature of industry

SCPL operates in a highly fragmented industry with large number of organized and unorganized players present in the market. However, the risk is mitigated to an extent on account of experienced management.

Outlook: Stable

Acuite believes that SCPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Liquidity position

The company has stretched liquidity marked by low net cash accruals to its debt maturity obligations. The company generated cash accruals of Rs.0.87 crore during FY2019 (provisional) against the debt maturity obligation of Rs. 0.80 crore for the same period. The cash accruals of the company are estimated to increase from Rs. 1.02 crore in FY2020 to Rs.1.39 crore in FY2022 while the debt maturity obligation for the period (FY 2020-2022) would be around Rs. 0.65 crore each year. The company maintains cash and bank balances of Rs.0.10 crore as on March 31, 2019 (Provisional). The current ratio of the company at 1.09 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of low cash accrual to its maturing debt obligation.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	13.87	11.31	13.76
EBITDA	Rs. Cr.	1.51	1.31	0.65
PAT	Rs. Cr.	0.03	0.05	0.04
EBITDA Margin	(%)	10.92	11.59	4.73
PAT Margin	(%)	0.21	0.44	0.31
ROCE	(%)	6.95	7.19	4.45
Total Debt/Tangible Net Worth	Times	2.37	2.46	1.93
PBDIT/Interest	Times	2.30	2.48	5.46
Total Debt/PBDIT	Times	5.03	4.92	7.63
Gross Current Assets (Days)	Days	201	201	178

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.74	ACUITE B / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE B / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE B / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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