

**Press Release****4S Spintex India Private Limited (4SSIPL)****December 06, 2019****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs Crore)	Rating Assigned
1	Long Term Bank Facilities (Fund based)	16.17	IVR BB- / Stable Outlook ; (IVR Double B Minus with Stable Outlook )
<b>Total</b>		<b>16.17</b>	

**Details of facilities are in Annexure 1****Rating Rationale**

The rating derives strength from the promoter's experience in the cotton Industry, Healthy Revenue growth, Proximity advantage and improvement in cash conversion cycle. The rating however is constrained by moderate debt protection metrics and EBITDA margin, Profitability vulnerable to fluctuations in raw material prices & regulatory changes and agro-climatic risks

**Key Rating Sensitivities:****Upward rating factor(s)**

- Improvement in Debt Protection Metrics
- Improvement in Profitability Margin

**Downward rating factor(s)**

- Any decline in scale of operation & Profitability.

**Detailed Description of Key Rating Drivers****Key Rating Strengths*****Experienced Promoters in the Cotton Industry***

4s Spintex India Private Limited (4SSIPL) started its commercial production of carded cotton yarn from August 2016. 4SSIPL is promoted by Mr. D.V.V. Satyanarayana (Director) and Mr. K Purushotham (Managing Director). Promoters are having a combined experience of

around two decades in the cotton industry leading to an established relationship with its customers & suppliers.

### ***Healthy Revenue Growth***

The company has started its commercial operations of cotton yarn in August 2016 and FY18 being the first full year of operation. The revenue has been continuously growing since the commencement of its operations. Total operating income of the company has increased y-o-y by 22.13% to Rs.37.05 crore in FY19 from Rs.30.34 crore in FY18.

### ***Proximity advantage for raw material procurement***

4s Spintex India Private Limited (4SSIPL) manufacturing unit is located in Krishna District, Andhra Pradesh an area of high cotton acreage and quality cotton crop. The company benefits from low transportation cost and easy access to quality raw material (raw cotton) because of its proximity to raw material sources.

### ***Improvement in Cash Conversion Cycle***

The cash conversion cycle of 4s Spintex India Private Limited (4SSIPL) has improved from 83 days in FY17 to 59 days in FY19 on account of improvement in average inventory days.

## **Key Rating Weaknesses**

### ***Moderate debt protection metrics and EBITDA Margin***

A short operational track record of three years coupled with a declining EBITDA margin resulted in moderate debt protection metrics. Though Overall Gearing Ratio and TOL/TNW have improved compared to last years and stood at 1.37x and 1.77x in FY19 as compared to 1.87x and 2.35x in FY18.

### ***Profitability vulnerable to fluctuations in raw material prices, regulatory changes and intense competition***

The profit margins of the company are exposed to fluctuations in raw cotton prices, which depend on various factors such as seasonality, global demand and supply situation and export policy. Further, it is exposed to regulatory risks with regard to the Minimum Support Price (MSP) set by the Government.

## Industry susceptible to agro-climatic risks

The cotton yarn industry is susceptible to agro climatic risks, which can affect the availability of the raw material in adverse weather conditions.

## Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

## Liquidity

The liquidity position of the company is stretched with quick ratio less than unity at 0.54x as on March 31, 2019. The average utilization of fund based working capital limit during the last 12 months ended August 31, 2019, stood high at about 85.17%.

## About the company

4S Spintex India Private Limited (4SSIPL) was incorporated in August 2012 and it has set up a manufacturing unit of yarned cotton with an installed capacity 8160 spindles of 32 counts in Jaggaiahpet Mandal, Krishna District, Andhra Pradesh. The company has successfully completed the project without any cost and time overrun and started its commercial operations from August 01, 2016. 4SSIPL is promoted by Mr. D.V.V. Satyanarayana (Director) and Mr. K Purushotham (Managing Director). Promoters are having a combined experience of around two decades in the cotton industry.

## Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	30.34	37.05
EBITDA	3.40	1.91
PAT	-0.32	-0.15
Total Debt	18.50	16.11
Tangible Net worth	9.91	11.78
EBIDTA Margin (%)	11.22	5.17
PAT Margin (%)	-1.06	-0.41

Overall Gearing ratio (x)	1.87	1.37
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\* Classification as per Infomerics' standards

**Details of Non-Cooperation with any other CRA:** Care Ratings in its press release published on August 23, 2019 has classified the case under Issuer Not Cooperating status.

**Any other information:** N.A

**Rating History for last three years:**

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Term Loan	10.17	IVR BB-/Stable Outlook	--	--	--
Fund Based Facilities	Cash Credit (CC)	6.00	IVR BB-/Stable Outlook	--	--	--
	<b>Total</b>	<b>16.17</b>				

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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## Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Fund Based Term Loan	--	--	--	10.17	IVR BB-/Stable Outlook
2	Fund Based Cash Credit	--	--	--	6.00	IVR BB-/Stable Outlook
<b>Total</b>					<b>16.17</b>	