



Press Release

Siddhi Industries Limited

December 21, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	32.67	IVR BB+/Stable [IVR Double B Plus with Stable Outlook]	Revised	Simple
Total	32.67	(Rupees Thirty-two Crore and sixty-seven lakhs Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Siddhi Industries Limited is on account of a significant decline in profitability.

However, the ratings assigned to the bank facilities of Siddhi Industries Limited draw comfort from experienced management, moderate scale of operations improvement in capital structure and debt protection metrics. However, these rating strengths are partially offset by short track record of operations, thin profitability, highly fragmented industry with intense competition from large number of players, susceptibility of profitability to volatility in raw material prices and high group exposure in terms of corporate guarantee extended to group entity.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.



Press Release

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management

Company is promoted by Mr. Markand V. Parikh along with his son Mr. Jay Parikh and wife Mrs. Meenaben Parikh. The key promoter, Mr. Markand V. Parikh possesses around four decades of experience of working in different groups of companies engaged in diverse activities. Mr. Govindram Makhanlal Basotia is one of the directors of the company who possesses almost five decades of experience into the textile industry. He looks after the overall operations, administration, marketing of the company. The experience of the management has helped the company to scale up its operations during the short span of time.

Moderate Scale of Operations albeit thin profitability margins

The Total Operating Income of SIL (Siddhi Industries Limited) deteriorated by 15.85% Y-o-Y i.e. from Rs. 195.41 Crore in FY22 to Rs. 164.43 Crore in FY23 on account of decline in sales quantity of cotton yarn which is due to slowdown in textile industry.

The profitability margins of the company as marked by EBITDA margin has declined sharply by 1263 bps from 18.90% in FY22 to 6.27% in FY23 on account of relatively higher raw material consumption cost. With decline in EBITDA margin, the PAT margin also declines significantly by 965 bps. The Gross Cash Accrual of the company also declined substantially from Rs. 30.29 crore in FY22 to Rs. 6.43 crore in FY23.



Press Release

Improvement in capital structure and debt protection metrics

The Overall Gearing Ratio of the company stood comfortable and has improved from 0.81 times as on March 31, 2022, to 0.68 times as on March 31, 2023, mainly on account of decline in total debt. The total indebtedness of the company as reflected in the TOL/TNW has also improved from 1.08 times as on March 31, 2022, to 0.96 times as on March 31, 2023, mainly on account of scheduled repayment of bank along with repayment of unsecured loan. During FY23, the company has made repayment of Rs. 6.01 crore unsecured loan pertaining to the promoter group. The debt protection metrics of the company deteriorated and stood moderate as marked by Interest Coverage Ratio of 3.49 times in FY23 as against 8.00 times in FY22. Total Debt to GCA has deteriorated from 1.76x in FY22 to 6.99x in FY23. The Debt Service Coverage Ratio stood below unity at 0.65x during FY23. The Tangible Net worth of the company stood at Rs. 66.21 crore as on March 31, 2023.

B. Key Rating Weaknesses

Short Track Record of Operations

The company started its commercial operation from July 2017. So, it is comparatively new amongst the well-established market players. SIL has only about six years of operational track record. The majority of the revenue which company earns is from the indirect exports which it makes through the merchant exporters.

Highly fragmented industry with intense competition from large number of players

The spinning industry is highly fragmented in nature with several organized and unorganized players. Prices of raw cotton are highly volatile in nature and depend upon the factors like area under cultivation, crop yield, international demand-supply



Press Release

scenario, inventory carry forward of the previous year. Hence, the profitability margins of the company are susceptible to fluctuation in raw material prices.

Susceptibility of profitability to volatility in raw material prices

Prices of raw cotton are highly volatile in nature and depend upon the factors like area under cultivation, crop yield, international demand-supply scenario, inventory carry forward of the previous year. Hence, the profitability margins of the company are susceptible to fluctuation in raw material prices.

High group exposure in terms of corporate guarantee extended to group entity

The company has extended guarantee for the debt availed by its group entity Siddhi Knitfab Pvt. Ltd. (SKPL) to the tune of Rs.100 crore which is more than its own tangible net worth. SKPL is in the process of setting up a process plant for Dyeing and Printing of Knit Fabric at Ahmedabad. As per management, SKPL has achieved the COD in January 2023.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology- Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning Rating outlook](#)

Liquidity – Adequate

The company's liquidity is adequate marked by 59.95% average utilisation of fund-based limits during the past 12 months ended September 2023. Further, the company expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has a Current Ratio and quick ratio of 1.35x and 0.28x as of March 31, 2023, respectively. The Unencumbered cash and bank balance of the



Press Release

company stood at Rs.1.49 Crores as on March 31, 2023, and Rs. 1.37 crore as on June 30, 2023. The Working Capital Cycle of the company stood elongated at 76 days in FY23 on account of higher inventory holding period.

About the Company

Siddhi Industries Limited was incorporated in the year 2011 and commenced its operation from July 2017. Siddhi Industries Limited is promoted by Mr. Markand V. Parikh along with his son Mr. Jay parikh and wife Mrs. Meenaben Parikh. The company belongs to “Siddhi Group” which is having diverse activities like manufacturing of edible Oil, decorative laminates, packaged drinking water, Margarine, sophisticated engineering castings/sand castings, copper components of electric transformers etc. The company has spinning unit with 24480 spindles having installed capacity of 4762 MTPA to manufacture cotton yarn specifically 30s combed hosiery and 40s CW (compact). The unit is situated in Ahmedabad, Gujarat.

Financials (Standalone):

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	195.41	164.43
EBITDA	36.94	10.32
PAT	19.01	0.09
Total Debt	53.26	44.95
Tangible Net Worth	66.11	66.21
Ratios		
EBITDA Margin (%)	18.90	6.27
PAT Margin (%)	9.71	0.06
Overall Gearing Ratio (x)	0.81	0.68

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Sep 27, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Jun 21, 2021)	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based Facilities	Long Term	32.67	IVR BB+/Stable	IVR BBB-/Stable	IVR BBB-/Stable	--
2.	Short Term Fund Based Facilities	Short Term	-	-	-	IVR A3	

Name and Contact Details of the Rating Analyst:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy,



Press Release

hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	December, 2026	17.67	IVR BB+/ Stable
Cash Credit	-	-	-	15.00	IVR BB+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Siddhi-Industries-dec23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.