



Press Release

Sree Durga Fibre Products Pvt Ltd

March 01, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	31.50 (Enhanced from Rs. 18.50 crore & includes proposed limit of Rs.0.10 crore)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Revised from IVR BBB/Positive (Triple B with Positive outlook)	Simple
Short term Bank Facilities	1.00	IVR A2 (IVR A Two)	Revised from IVR A3+ (A Three Plus)	Simple
Total	32.50 (Rupees Thirty Two crore Fifty Lakhs)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Sree Durga Fibre Products Private Limited (SDFPL) continues to consider the close operational and financial linkages between SDFPL and its group company, S D Polytech Pvt Ltd (SDPPL). Infomerics has taken a consolidated view of these entities referred together as Sree Durga group. The revision in ratings assigned to the bank facilities of SDFPL considers steady improvement in financial performance of Sree Durga group in 9MFY22 with strong liquidity and its comfortable capital structure with adequate debt protection metrics. Further, the ratings continue to take into account the Sree Durga group's established track record and longstanding experience of the promoters, diversified product range in thermoware products with strong presence in market. However, these rating strengths continues to remain partially offset by susceptibility of profitability to fluctuations in raw material prices, exposure to Government Regulations and presence in highly competitive and fragmented industry.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income, operating margin and cash accrual.



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- Improvement in working capital management with improvement in liquidity
- Improvement in capital structure and/or improvement in debt protection metrics with interest coverage improved over 4x.

Downward Factors

- Moderation in operating income and cash accrual impacting the debt protection metrics on a sustained basis.
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 1.5x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record and longstanding experience of the promoters**

Sree Durga group has an established operational track record in the textile industry. Over the years, the company had established healthy relationship with its customers and suppliers. The overall affairs of the group are managed by Mr. Sunil Jain and Mr. Surendra Kumar Agarwal, having experience of around three decades. Both together looks after the overall functioning of the group. During FY21, Mr. Rabi Shankar Ghosh, former director has left the group.

- **Diversified product range in thermoware products and strong presence in market**

Sree Durga group sells its premium disposable thermoware under “Kohinoor” and “Kohinoor Plus” brands and the economy disposable thermoware under “Double Diamond” brand through its flagship company SDFPL. It sells its product directly to the wholesalers. Most of the sales are made in North India, primarily in Uttar Pradesh, and Uttarakhand. It has a stronger presence in Uttar Pradesh. The group commands a premium for its thermoware products as SDFPL is among the top manufacturers in this segment and provides highquality products. Further, the group enhanced its product profile with addition of cotton, polyester yarns through SDPPL.

- **Improvement in financial performance in 9MFY22**



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SDPPL started commercial operation from January 2019 and in a shorter span of time established its operations. During FY21, the combined revenue of the group witnessed growth of 9.22% backed by increase in demand of the manufactured products and better sales realisation for both the companies. The total operating income (TOI) has improved and reported ~91.30% y-o-y growth during 9MFY22 to Rs.305.86 crore. In line with TOI, EBITDA margin and PBT margin has also improved from 11.68% and 6.05% respectively in 9MFY21 to 13.36% and 10.48% respectively in 9MFY22. With improved absolute EBITDA, and reduced finance cost the interest coverage ratio has improved significantly and stood at 9.14x in 9MFY22.

- **Comfortable capital structure and debt protection metrics**

The group has a comfortable capital structure on the back of its satisfactory net worth base of Rs.105.06 crore as on March 31, 2021 (including subordinated USL of Rs.21.68 crore). The overall gearing ratio of the group remains comfortable and stood at 0.59x as on March 31, 2021 vis-a-vis 0.52x as on March 31, 2020. Overall gearing of group has moderated marginally in FY21 with higher borrowings in SDFPL. Total indebtedness of the group as reflected by the TOL/TNW stood satisfactory at 0.78x as on March 31, 2021. Debt protection parameters marked by interest coverage ratio and Total Debt to GCA remained comfortable at 3.88x and 2.74 years in FY21, against 2.99 and 3.73x and Total debt to GCA of 4.23 years in FY20.

Key Rating Weaknesses

- **Susceptibility of profitability to fluctuations in raw material prices and Government Regulations**

The primary raw material for manufacturing of disposable thermoware is general purpose polystyrene, the price of which has remained volatile over the years. Since raw material consumption constitutes a significant portion of the total cost of production, any increase in prices would adversely impact the profitability, given the time lag in revision of prices of the final product. Raw jute is the only raw material required for the manufacturing of jute products. The company procures jute from local suppliers in West Bengal. Jute is available in abundance as West Bengal is the largest cultivator of jute in India, but its availability also depends on a combination of factors like government policies, and the prevailing demand-supply scenario etc. The jute stocking season is mainly from September-March and thus the



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year-end raw jute inventory remains on the higher side. Similarly, the margins from cotton yarn segment is highly susceptible to changes in the prices of cotton. The price of cotton is fixed by the government through the Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability.

- **Highly competitive and fragmented industry**

The jute, disposable thermoware and cotton spinning industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits group's pricing flexibility and bargaining power.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has combined the financial risk profiles of Sree Durga Fibre Products Pvt Ltd and S D Polytech Pvt Ltd as these entities run under a common management, have strong operational and financial linkages and cash flow fungibility. Further, both these entities are in manufacturing of yarn and we have received an undertaking from Sree Durga Fibres Products Pvt Ltd, where it undertakes to infuse funds in S D Polytech Pvt Ltd whenever required to meet its interest and loan repayment obligations in case of any shortfall. Both the companies' combined referred as Sree Durga group hereafter.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Strong

The group had generated healthy cash accrual of around Rs.22.70 Crore in FY21 and it is expected to be in the range of Rs.43.46 crore to Rs.60.39 crore as against its repayment obligation ranging from Rs.2.37 crore to Rs.4.60 crore during FY22-FY24. Moreover, the group has adequate gearing headroom on the back of its strong capital structure. Further, the both the companies have adequate buffer in their cash credit limits which is ~ 75% and ~68% respectively.

About the Company



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Sree Durga Fibre Products Private Limited (SDFPL) was initially established as a proprietorship firm in 1995. Later it was reconstituted as a partnership firm in 2003 and gradually converted into a private company in 2007. The promoters of SDFPL are, Mr. Sunil Jain, Mr. Surendra Kumar Agarwal and Mr. Rabi Shankar Ghosh. The company started its operation with manufacturing of jute products like jute yarn, ban and ropes at its manufacturing facility located at Gopalnagar, West Bengal with a total capacity of 7200 MTPA. SDFPL ventured into manufacturing of disposable thermoware with its facility located at Rudrapur, Uttarakhand. Currently, the capacity of the thermoware division is 4,800 MTPA. In order to diversify the group's operations, the promoters acquired an existing spinning mill in SIIDCUL Industrial Area, Sitarganj, previously owned by Innovative Textile Limited through slump sale and started its operations under SD Polytech Private Limited (SDPPL) from January, 2019. The company is capable of producing Cotton yarn, Polyester yarn as well as Polyester Cotton yarn with an installed capacity of 43,440 spindles with a scope of expansion of 12,000 spindles more. Mr. Rabi Shankar Ghosh has left the company during FY21.

Financials: Combined

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	233.51	254.67
EBITDA	18.08	27.82
PAT	6.61	16.41
Total Debt	53.22	62.22
Tangible Net worth	80.17	83.38
Tangible Net worth including quasi equity	102.79	105.06
EBITDA Margin (%)	7.74	10.92
PAT Margin (%)	2.80	6.33
Overall Gearing Ratio (x)	0.52	0.59

**Classification as per Infomerics' standards.*

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	76.44	85.43
EBITDA	9.72	8.42
PAT	7.15	8.29



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For the year ended* / As On	31-03-2020	31-03-2021
Total Debt	1.27	10.48
Tangible Net worth	47.34	42.43
EBITDA Margin (%)	12.72	9.86
PAT Margin (%)	9.11	9.23
Overall Gearing Ratio (x)	0.03	0.25

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)				Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2020-21			Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan/GECL	LT	11.40 (Enhanced from 8.50 crore)	IVR BBB+; Stable	IVR BBB; Positive (Sep 28, 2021)	IVR BBB; Stable (Dec 01, 2020)	IVR BBB; Stable (Sep 24, 2020)	IVR BBB; Stable (Sep 11, 2020)	-	-
2.	Cash Credit	LT	20.10 (Enhanced from 10 crore including proposed limit of Rs.0.10 crore)	IVR BBB+; Stable	IVR BBB; Positive (Sep 28, 2021)	IVR BBB; Stable (Dec 01, 2020)	IVR BBB; Stable (Sep 24, 2020)	IVR BBB; Stable (Sep 11, 2020)	-	-
3.	Bank Guarantee	ST	1.00	IVR A2	IVR A3+ (Sep 28, 2021)	IVR A3+ (Dec 01, 2020)	IVR A3+ (Sep 24, 2020)	IVR A3+ (Sep 11, 2020)	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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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	-	-	-	11.40	IVR BBB+; Stable
Cash Credit	-	-	-	20.00	IVR BBB+; Stable



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Proposed – Cash Credit	-	-	-	0.10	IVR BBB+; Stable
Bank Guarantee	-	-	-	1.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
Sree Durga Fibre Products Private Limited	Full consolidation
S D Polytech Pvt Ltd	Full consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Sree-Durga-lenders-mar22.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.