



## Press Release

### Siddhi Industries Limited

July 21, 2021

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	47.90	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Bank Facilities	2.00	IVR A3 (IVR A Three)	Assigned
<b>Total</b>	<b>49.90</b> <b>(Forty Nine Crores</b> <b>Ninety Lakhs Only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Siddhi Industries Limited derives comfort from extensive experience of the management of company. The rating also factors its consistent scale of operations, improvement in margins and comfortable capital structure with improved debt protection metrics. However, these strengths are partially offset by moderate scale of operations, short track record of operations and fragmented nature of industry with intense competition from large number of players.

#### Key Rating Sensitivities:

##### Upward Factors

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

##### 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.



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### 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 group of companies engaged in diverse activities. Mr. Govindram Makhnallal Basotia is one of the directors of the company who possesses almost five decades of experience into the textile industry. He looks after 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.

##### Consistent Scale of Operations and Improved Margins

The Scale of operations has been consistent over the last 3 years. The Operating Income of the company has been in the range of Rs.125.00-130.00 Crores during the last 3 years. The Margins reported by the entity in FY21 have improved significantly. EBITDA increased to Rs.23.13 Crores (18.30%) in FY21 as against Rs.14.63 Crores (11.16%) in FY20. PAT increased to Rs.15.12 Crores (11.95%) in FY21 as against loss of Rs.0.10 Crore (-0.08%) reported in FY20.

##### Comfortable capital structure with improved debt protection metrics

The overall gearing of the company stood comfortable at 1.66x as on March 31, 2021. The Entity is having comfortable debt protection metrics i.e. ICR & DSCR stood at 3.47x & 1.56x in FY21 as against 1.94x & 0.87x in FY20. The Networth increased to Rs.47.11 Crores in FY21 as against Rs.30.66 Crores in FY20. TOL/TNW improved to 1.85x in FY21 as against 3.08x in FY20.

#### Key Rating Weaknesses

##### Moderate Scale and Short Track Record of Operations

The scale of operations continues to remain moderate as the revenues of the company have remained flat with the negligible growth. Total Operating Income stood at Rs.126.41 Crores in FY21 as against Rs.131.07 Crores in FY20. Furthermore, the company started its



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commercial operation from July 2017, thus having only about three years of operational track record.

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

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity –Adequate**

Company has generated a cash accrual of Rs.16.46 Crores in FY21 against the debt repayment obligations of Rs.8.19 Crores. Further, SIL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY22. Average Utilization of bank limits for last 12 months ended April, 2021 stood at ~35% indicating sufficient buffer to meet incremental requirements. Further, company has reported adequate current ratio at 2.27x as on March 31, 2021 to meet its near-term cash requirements. All the factors reflect adequate liquidity position of the company.

### **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.



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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):

(Rs. Crore)

For the year ended* / As on	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	131.07	126.41
EBITDA	14.63	23.13
PAT	-0.10	15.12
Total Debt	80.98	78.10
Tangible Net worth	30.66	47.11
EBITDA Margin (%)	11.16	18.30
PAT Margin (%)	-0.08	11.95
Overall Gearing Ratio (x)	2.64	1.66

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

### Any other information:

### 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.	Fund Based Bank Facilities – Cash Credit	Long Term	11.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	-	-	-
2.	Fund Based Bank Facilities-Term Loan	Long Term	27.18	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)			
3.	Fund Based Facilities-COVID Loan (ECLGS)	Long Term	9.72	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	-	-	-



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4.	Non Fund Based Facilities-Bank Guarantee (Sanctioned)	Short Term	1.00	IVR A3 (IVR A Three)			
5.	Non Fund Based Facilities-(Proposed)	Short Term	1.00	IVR A3 (IVR A Three)			

**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).

### Name and Contact Details of the Rating Analyst:

Name: Mr. Deepak Kumar

Tel: (011) 24601142

Email: [deepak.kumar@infomerics.com](mailto:deepak.kumar@infomerics.com)

Name: Mr Om Prakash Jain

Tel: (011) 24601142

Email: [opjain@infomerics.com](mailto:opjain@infomerics.com)

### 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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities- Cash Credit	-	-	-	11.00	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)
Long Term Fund Based Bank Facilities- Term Loan	-	-	31.03.2025	27.18	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)
Long Term Fund Based Bank Facilities- COVID Loan (ECLGS)	-	-	30.09.2024	9.72	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)
Short Term Non Fund Based Facilities- Bank Guarantee (Sanctioned)	-	-	-	1.00	IVR A3 (IVR A Three)
Short Term Non Fund Based Facilities- Bank Guarantee (Proposed)	-	-	-	1.00	IVR A3 (IVR A Three)

Annexure 2: Bank Lender Details (<https://www.infomerics.com/admin/prfiles/SiddhiIndustries-lenders-21july2021.pdf>)