



Press Release

Sree Durga Fibre Products Pvt Ltd

September 28, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facilities	18.50 (Enhanced from 10.00)	IVR BBB; Positive (IVR Triple B with Positive Outlook)	Reaffirmed with revision in outlook from Stable to Positive
2.	Short Term Bank Facility-Bank Guarantee	1.00	IVR A3+ (IVR A Three Plus)	Reaffirmed
	Total	19.50 (Rupees nineteen crores and fifty lakhs only)		

Details of Facilities are in Annexure 1.

Detailed Rationale

The reaffirmation of 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 ratings takes 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, stable financial performance and comfortable capital structure with adequate debt protection metrics. Further, the ratings also note strong liquidity of the group. However, these rating strengths are partially offset by susceptibility of profitability to fluctuations in raw material prices and exposure to Government Regulations and presence in highly competitive and fragmented industry. The outlook has been revised from stable to positive based on expected improvement in its scale of operations coupled with increase in profitability leading to improvement in debt protection metrics in the near term.

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 at more than 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 impacting 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 of them 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 high quality products. Further, the group enhanced its product profile with addition of cotton, polyester yarns through SDPPL.

- **Stable financial performance with improvement in profitability**



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SDPPL started commercial operation from January 2019. With stabilization in its operation and growing market demand leading to rise in average sales realisation, the combined revenue of the group witnessed y-o-y growth of ~115% during FY20 and ~10% growth in FY21 to Rs.232.90 crore and Rs.254.01 crore respectively. The EBITDA margin of the group remained comfortable in the vicinity of 8%-12% during FY18-21. Further, in FY21 (provisional), EBITDA margin improved from 7.50% in FY20 to 10.83% due to higher margin earned in SDPPL on account of increase in realization of its product profile. In SDPPL, per MT realization of Yarn has increased nearly by Rs 5500 per MT in FY21 as compared to FY20 and Yarn contributes to ~85% of its turnover on an average. The increase in sales value of Yarn is higher than the corresponding rise in raw materials price vis-à-vis total operating income. Further, in FY21, PAT margin also improved from 2.55% in FY20 to 7.10% in FY21. The improvement in PAT margin is driven by improved EBITDA level coupled with a non-operating income amounting to Rs.3.75 crore from sale of asset.

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

The group has a comfortable capital structure mainly on account of its satisfactory net worth base of Rs.107.20 crore as on March 31, 2021 provisional (including subordinated USL of Rs.21.67 crore). The overall gearing ratio of the group remained comfortable and stood at 0.57x as on Mar.31, 2021 vis-a-vis 0.52x as on March 31, 2020. Total indebtedness of the group as reflected by the TOL/TNW stood satisfactory at 0.69x as on March 31, 2021. Debt protection parameters marked by interest coverage ratio and Total Debt to GCA remained comfortable at 3.73x and 2.57 years in FY21 provisional.

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



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etc. The jute stocking season is mainly from September-March and thus the 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.

- **Presence in 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, 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 here after. The lists of Companies considered for consolidation are given in Annexure 3.

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.23.95 Cr in FY21 (Prov.) as against nil repayment obligation. Further, the group is also expected to generate steady cash accrual over the near medium term against its repayment obligation of Rs.2.12 crore to Rs. 3.98 crore in FY22-24. Moreover, the group has adequate gearing headroom on the back of its strong capital structure. Further, the both the companies has adequate buffer in their cash credit limits

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 5,100 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. The company sells the premium dinnerware under the brands “Kohinoor” and “Kohinoor Plus” and the economy dinnerware under “Double Diamond”.

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
	Combined	Combined
Total Operating Income	232.90	254.01
EBITDA	17.47	27.50
PAT	6.00	18.42
Total Debt	53.05	61.59
Tangible Net worth including quasi equity	102.79	107.20
EBITDA Margin (%)	7.50	10.83
PAT Margin (%)	2.55	7.10
Overall Gearing Ratio (x)	0.52	0.57

*Classification as per Infomerics’ standards.

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	76.44	85.43
EBITDA	9.72	8.59
PAT	7.15	8.47



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For the year ended* / As On	31-03-2020	31-03-2021
Total Debt	1.10	10.22
Tangible Net worth	47.34	42.75
EBITDA Margin (%)	12.72	10.06
PAT Margin (%)	9.11	9.43
Overall Gearing Ratio (x)	0.02	0.24

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2020-21	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.	Cash Credit	Long Term	10.00	IVR BBB; Positive	IVR BBB; Stable (Dec 01, 2020)	IVR BBB; Stable (Sep 24, 2020)	IVR BBB; Stable (Sep 11, 2020)	-	
2.	Term Loan	Long Term	8.50	IVR BBB; Positive	IVR BBB; Stable (Dec 01, 2020)	IVR BBB; Stable (Sep 24, 2020)	IVR BBB; Stable (Sep 11, 2020)		
2.	Bank Guarantee	Short Term	1.00	IVR A3+	IVR A3+ (Dec 01, 2020)	IVR A3+ (Sep 24, 2020)	IVR A3+ (Sep 11, 2020)	-	

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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. 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



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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 Limits - Cash Credit	-	-	-	10.00	IVR BBB; Positive
Long Term Fund Based Limits – Term Loan	-	-	March 2029	8.50	IVR BBB; Positive
Short Term Non-Fund Based Limits – Bank Guarantee	-	-	-	1.00	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Sree-DurgaFibre-lenders-28sep21.pdf>

Annexure 3

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

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
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1.	Cash Credit	Simple
2.	Term Loan	Simple
3.	Bank Guarantee	Simple

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.

