

Press Release

M/s Surya Processors Private Limited

September 11, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. crore)	Rating Assigned
1	Long Term Fund Based Facility - Cash Credit	79.12	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
2	Long Term Fund Based Facility - Term Loan	58.13	
3	Long Term Non-Fund Based Facility - Bank Guarantee	0.75	
4	Short Term Non-Fund Based- Letter of Credit	12.00	IVR A3 (IVR A Three)
	Total	150.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experienced promoters with long track record of operations, improvement in profitability margins & introduction to new market segment and regular infusion of fund by the promoters. However, the rating is partially offset by volatile operating income, moderate debt protection matric with leveraged capital structure, working capital intensive nature of operation, intense competition in the industry & fragmented players and concentrated client & supplier base. Improving scale of operations and profitability and improvement in debt metrics are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

• **Experienced promoters with long track record of operations**

The company started its operations in 1986. The promoter of the company Mr. S.K. Kapoor (Managing Director) has more than 4 decades of experience in textile industry and is associated with company since its inception. Mr. S.K. Kapoor is also a member of Governing body of Northern India Textile Research Association (linked to Ministry of Textiles). Mr. Ashu Kapoor (Director) has more than 2 decades of experience and handles manufacturing & sale and engineering department. Mr. Gaurav Kapoor (Director) has over 10 years of experience and looks after fabrics production and outsourcing of grey fabrics. Mr. Anuj Kapoor (Director) with over 2 decades of experience, looks after stores and its purchase. Mrs. Madhu Kapoor and Mrs. Amita Kapoor (Directors) look after Administrative and HR Department of the company. The

company has highly qualified & experienced management, adding credence and professionalism in the governance of the company.

- **Improvement in profitability margins and introduction to new market segment**

Despite a fall in the total revenue from Rs.288.2 crore in FY18 to Rs.233.0 crore for FY19 (provisional), the absolute EBITDA and PAT increased to Rs.22.6 crore and Rs.3.56 crore in FY19 (provisional), compared to Rs.17.4 crore and Rs.3.0 crore, respectively, in FY18. PAT margin stood at 1.53% in FY19 (provisional) as compared to 0.70% in FY18, while the EBITDA margin improved to 9.71% FY19 (provisional) when compared to 6.02% in FY18, due decrease in raw material consumption and manufacturing expenses. The company has taken EPCG license in order to promote export and import machinery with zero custom duty. It currently exports its products to Bangladesh.

- **Regular Infusion of fund by the promoters**

The promoters have infused funds underscoring their commitment for to the business, in form of unsecured loan to the tune of Rs.24.57 crore in FY19 (provisional) and Rs.18.00 crore in FY18. This has supported the business operations in the face of liquidity constraints.

Key Rating Weaknesses

- **Volatile operating income**

The company has volatile trend in operating income which stood at Rs.233.02 crore in FY19 (provisional) as compared to Rs.288.23 in FY18. This is due to implementation of GST which is charged on product manufactured that were exempted earlier. Due to levy of GST, surplus fund were utilized to pay GST. As a result, the capacity utilization was lower at 57% and 86% in FY19 (provisional) for denim & non-denim and yarn dyeing job work respectively, as compared to 83% and 100% in FY18.

- **Moderate debt protection matric with leveraged capital structure**

The company debt protection metrics remained moderate with Interest Coverage Ratio at 2.11x in FY19 (provisional), while the long term debt to equity stood at 1.81x and overall gearing was 1.91x as on March 31, 2019 (provisional). The Total Outside Liabilities to Tangible Net Worth stood 4.48x as on March 31, 2019 (provisional).

- **Working capital intensive nature of operation**

Operations of the company are working capital intensive in nature. The operating cycle stood 64 days in FY19 (provisional) as creditor's days of the company were generally high side over the years with 90 days in FY19 (provisional), debtors days stood 69 days in FY19 (provisional), up from 62 days in FY18. The average working capital utilization remained high for last 12 months ended May 2019 at over 94%.

- **Intense competition in the industry and fragmented players**

The industry is highly competitive due to presence of many organized and unorganized players coupled with low entry barriers. Intense competition reduces the pricing power of the industry players.

- **Concentrated client and supplier base**

The top 10 customers contributes around 52.46% of total revenue and top 10 suppliers contribute 41.78% of raw material consumed indicating concentration risk in customer and supplier bases.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company's average working capital limits utilization was high at over 94% during the 12 month period ended May 2019. The company has low cash balance and moderate gross cash accrual Rs.11.05 crore in FY19 (provisional). However, the company's cash accruals are expected to be adequate to service the debt obligations in the ensuing 12 month period.

About the Company

Surya Processors Private limited (SPPL) started its operation in 1986 in Ghaziabad. The company has its registered office located at Delhi. The company initially started with Dyeing and finishing capabilities and further expanded into weaving and printing of fabrics and yarn-dyeing. The company is promoted by Mr. S.K. Kapoor (Managing Director), who over 4 decades of experience in textile industry. He is assisted by Mr. Ashu Kapoor (Director) who is

responsible for manufacturing, sales and engineering department, Mr Gaurav Kapoor (Director) who is responsible for fabrics production of looms and outsourcing of grey fabrics, Mr. Anuj Kapoor (Director) who looks after stores and its purchase, while Mrs. Amita Kapoor and Mrs. Madhu Kapoor (both Directors) look after Administrative and HR Department of the company. The company sells its products in both the domestic as well as international market. The company has various range of fabrics such as cotton, viscose, polyster and its blends, lycra, corduroy and yarn dyed. SPPL is also known for its manufactured fabrics with fire retardant, PU Coating, Microdot Fusible and Non Fusible interlining & water repellent finishes. The manufacturing facility of SPPL is located at Chhapraula Villages in Dadri, Gautam Buddha Nagar, Uttar Pradesh for yarn dyeing and Sikandrabad, Bulandshahr, Uttar Pradesh for Denim Processing.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Provisional)
Total Operating Income	288.23	233.02
EBITDA	17.35	22.63
PAT	2.98	3.56
Total Debt	135.33	111.54
Tangible Networkth	51.57	61.70
EBITDA Margin (%)	6.02	9.71
PAT Margin (%)	0.70	1.53
Overall Gearing Ratio (x)	2.62	1.81

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: ICRA Ratings has moved the rating of Surya Processor Private Limited into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated August 09, 2019.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – Cash Credit	Long Term	79.12	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	--	--	--

2.	Fund Based Limits – Term Loan	Long Term	58.13	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	--	--	--
3.	Non-Fund Based – Bank Guarantee	Long Term	0.75	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	--	--	--
4.	Non-Fund Based- Letter of Credit	Short Term	12.00	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.

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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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility - Cash Credit	--	--	Revolving	79.12	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
Long Term Fund Based Facility - Term Loan	--	--	Repayment in monthly instalments till November 2025	58.13	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
Long Term Non-Fund Based Facility - Bank Guarantee	--	--	--	0.75	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
Short Term Non-Fund Based Facility - Letter of Credit	--	--	Up to 90 days	12.00	IVR A3 (IVR A Three)