

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Shriniwas Spintex Industries Pvt Ltd

December 07, 2018

Rating

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	40.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Total	40.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating derives comfort from its experienced promoters, efficient working capital management and proximity to cotton growing areas. However, the rating is constrained by short track record of the company, susceptibility to fluctuations in raw material prices and intense competition. Growth and profitability, gearing level and working capital management are the key rating sensitivities.

List of Key Rating Drivers

- Experienced promoters
- Efficient working capital management
- Proximity to cotton growing areas
- Short track record
- Susceptibility to fluctuations in raw material prices
- Intense competition

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

Mr. Gopaldas Dhanraj Rathi, the Wholetime Director of the company, has been associated with ginning and pressing industry for more than 30 years and also owns a ginning unit of his

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own. The extensive experience has helped him in establishing comfortable relation with customers and suppliers in a very short span of time.

Efficient working capital management

Working capital management is efficient, backed by low operating cycle (45 days in FY18 and 48 days in FY17). The company has also managed its receivable cycle well which gets reflected in the debtor days of around 18 in FY18 (24 days in FY17). Subsequently, the working capital utilisation reduced significantly in the recent months and has been comfortable for the 12 months ended September, 2018.

Proximity to cotton growing areas

Shriniwas Spintex Industries Ltd has its plant located at Hinganghat near Nagpur. The city is a hub of India's cotton industry, with abundant supply of cotton. This results in easy availability of quality raw materials and savings in transportation costs.

Key Rating Weaknesses

Short track record

The company started its manufacturing operation only in October 2016. Hence, Shriniwas Spintex has a short track record with moderate scale of operation (Total Operating Income being Rs.128.46 crore in FY18).

Susceptibility to fluctuations in raw material prices

The margins are 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.

Intense competition

The cotton industry continues to be competitive and fragmented with intense competition from organised as well as unorganised players.

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Analytical Approach & Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

About the Company

Shriniwas Spintex Pvt Ltd., incorporated in 2013, was established by Mr. Gopaldas Dhanraj Rathi and Mr. Govind Gopaldas Rathi. However, manufacturing operations started only in late 2016. The company manufactures cotton yarn at Hinganghat (Maharashthra) and has an installed capacity of 20000 spindles of ring frame. The company manufactures 100% cotton yarn, mainly the carded and compact variety in counts of 20'-60' (40' count mainly). Additionally it also processes cotton bales. The company's operations are managed by Mr. Gopaldas Dhanraj Rathi & Mr. Govind Gopaldas Rathi, who are having experience of more than 30 and 10 years respectively in the said line of business. They are actively involved in the overall operations and day-to-day affairs of the company.

Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	62.39	128.46
EBITDA	4.83	11.87
PAT	2.17	0.66
Total Debt (Excluding Sub. Loans)	43.64	38.19
Tangible Net worth	10.67	14.08
EBITDA Margin (%)	7.74	9.24
PAT Margin (%)	3.48	0.51
Overall Gearing Ratio (x)	4.09	2.71

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facil	Current Rating (Year 2018-19)	Rating History for the past 3 years
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	ities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017- 18	Date(s) & Rating(s) assigned in 2016- 17	Date(s) & Rating(s) assigned in 2015- 16
1.	Long Term Fund Based Limits - Cash Credit	Long Term	9.00	IVR BBB-/ Stable Outlook	-	-	-
2.	Long Term Non Fund Based Limits –Bank Guarantee	Long Term	2.50	IVR BBB-/ Stable Outlook	-	-	-
3.	Long Term Fund Based Limits – Term Loan	Long Term	28.50	IVR BBB-/ Stable Outlook			

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. 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 Bank Facilities – Cash Credit	-	-	-	9.00	IVR BBB-/ Stable Outlook
Long Term Bank Facilities – Bank Guarantee	-	-	-	2.50	IVR BBB-/ Stable Outlook
Long Term Bank Facilities – Term Loan	-	13.05%	March 2025	28.50	IVR BBB-/ Stable Outlook