

Shabnam Petrofils Private Limited

ICRA has reaffirmed the long-term rating of [ICRA]BB (pronounced ICRA double B) assigned to the Rs. 11.00 crore term loan and the Rs. 8.00 crore fund based facilities of Shabnam Petrofils Private Limited (SPPL)[†]. Further, ICRA has reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 0.23 crore non-fund-based facilities of SPPL. The long term rating carries a 'Stable' outlook.

The ratings reaffirmation takes into account SPPL's weak financial profile characterized by low net profit margins, high gearing levels and moderate debt coverage indicators. The ratings also factor in the intense competition from other domestic players resulting in limited pricing and bargaining power. The profitability from operations remains exposed to the volatility in the prices of the crude-linked raw material given the company's limited bargaining power with larger suppliers in terms of prices and credit period. ICRA notes that the company is in the midst of setting up its fourth windmill and expanding its manufacturing facilities, which will lead to further increase in the gearing levels and weakening of debt coverage indicators over the near-to-medium term. The ratings, however, positively consider the longstanding experience of the company's promoters in the polyester yarn and grey fabric manufacturing business; its established customer & supplier base; its low working capital intensity of operations and improvement in operational efficiency parameters in FY15 on account of modernisation of yarn and fabric manufacturing facility.

Company Profile

Incorporated in 2002, Shabnam Petrofils Pvt. Ltd. (SPPL) is engaged in manufacturing of polyester yarn and grey fabric in Surat, Gujarat. The company commenced commercial operations in 2004 with an initial capacity of 7,300 MTPA (metric tones per annum) for yarn and fabric combined. The company has expanded its capacity on a regular basis, and the current production capacity of yarn is around 25,000 MTPA while for fabric is around 15,000 MTPA. In addition, the company is also involved in the trading of yarn. The company currently has seven texturising machines, seven spinning lines and 72 knitting machines of its own. In addition, the company has taken on lease nearly 500 weaving looms, which are owned by its sister concerns.

Recent Results

During FY 2015, the company reported net loss of Rs. 3.4 crore on an operating income of Rs. 240.8 crore. During FY 2014, the company has reported PAT of Rs. 0.09 crore on an operating income of Rs. 253.0 crore.

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* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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