

## Surya Processors Private Limited

Instrument	Amount Rated	Rating Action
Long Term Fund-Based Cash Credit	Rs. 37.00 crore	[ICRA]BBB-(Stable)(Reaffirmed)
Long Term Fund-Based Term Loans	Rs. 53.03 crore (reduced from Rs. 54.23 crore)	[ICRA]BBB-(Stable)(Reaffirmed)
Short Term Non Fund-Based	Rs. 12.75 crore	[ICRA]A3 (Reaffirmed)
Unallocated	Rs. 47.22 crore (enhanced from Rs.16.02 crore)	[ICRA]BBB-(Stable)(Reaffirmed)

ICRA has reaffirmed the ratings of [ICRA]BBB- (pronounced ICRA triple B minus) and [ICRA]A3 (pronounced ICRA A three)<sup>†</sup> for the Rs. 120.00 crore<sup>1</sup> bank facilities of Surya Processors Private Limited (SPPL). ICRA has also assigned a long-term rating of [ICRA]BBB- to the additional limits of Rs. 30.00 crore. The outlook on the long term rating is stable.

The ratings continue to take into account established track record of the company with three decades of operations in fabric processing and weaving, and periodic increases in capacity accompanied by timely ramp up in production. The ratings also continue to be supported by SPPL's modest financial risk profile characterized by adequate debt coverage indicators like interest cover of about 2.5x and DSCR of more than 1.3x expected by ICRA over next few years.

While ICRA is cognizant of large scale debt funded capital expenditure being implemented by the company towards installation of green-field weaving and processing capacities, the resulting increase in extent of backward integration is expected to support improvement in profitability. Also, though the revised scale of ongoing capital expenditure is sizeable and will more than double the gross fixed assets and debt, favorable term debt profile characterized by long tenure (door to door tenure of ~10 years), adequate moratorium period and subsidized interest rate on account of eligibility for interest subsidy under TUFs besides the phased execution support the company's ability to undertake this expansion. Given the aforementioned long tenure of debt, peak debt repayments for the company (excluding proposed debt) will be about Rs. 6 crore, which is comfortable as cash accruals from existing operations alone in FY2016 are estimated to be about Rs. 10-11 crore. The execution of next phase of capex and drawdown of proposed debt will commence after the successful commissioning and stabilization of the ongoing capacity installations. Nevertheless, as the debt funded capacity addition will increase the indebtedness, company's ability to sustain high capacity utilization levels for enhanced capacities and derive improvement in profitability due to increased backward integration would be critical determinant of debt servicing ability and will remain a rating sensitivity.

The ratings continue to remain constrained on account of fragmented nature of fabric processing industry that drives high competition and keeps profitability under pressure as reflected by modest return on capital of ~12%. Given the low profitability margins and high competition, the profitability and hence the debt servicing ability is vulnerable to fluctuations in prices of raw materials.

Also, while the ratings favourably take into account the company's long relations with customers and track record of securing repeat business, the recent deterioration in ageing profile of debtors is a concern. Though the company's liquidity profile continues to be characterized by adequate cushion between drawing power and utilization of working capital limits, timely realization of these overdue receivables and maintenance of satisfactory ageing profile going forward will remain critical.

Also, ICRA notes that unsecured loans from the promoter family, which are proposed to be retained during the tenure of the bank loans, continue to form substantial part of the long-term funding in the company. Thus, extent of withdrawal of these loans, if any, will continue to be a determinant of the liquidity and will also remain a rating sensitivity.

<sup>†</sup> For complete rating definition please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

<sup>1</sup> Rs 1 Crore = Rs 100 Lakh = Rs 10 Million



### **Company Profile**

Surya Processors Private Limited (SPPL) is a Ghaziabad (Uttar Pradesh) based textile processing house having annual processing capacity for 24 million meter fabric. SPPL's operations are partially backward integrated, wherein the company has installed 116 looms for weaving fabrics. SPPL has been engaged in fabric processing and weaving for almost 30 years, and is currently managed by Mr. S K Kapoor, Mr. Gaurav Kappor, and Mr. Anuj Kapoor.

In FY2015, SPPL reported an Operating Income (OI) of Rs. 230.2 crore, Operating Profit before Depreciation, Interest, and Taxes (OPBDITA) of Rs. 13.8 crore, and Profit after Tax (PAT) of Rs. 4.2 crore against an OI of Rs. 229.5 crore, OPBDITA of Rs. 14.5 crore and PAT of Rs. 2.5 crore reported in FY2014. Subsequently, on a provisional basis, the company is estimated to have achieved an OI of Rs. 240 crore, OPBDITA of Rs. 19.1 crore and PAT of Rs. 4.3 crore in FY2016.

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