

SRG Spinning And Weaving Mills Private Limited

February 07, 2019

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term- Fund Based/ CC	7.00	[ICRA]B+(Stable); Assigned
Total	7.00	

*Instrument details are provided in Annexure-1

Rationale

The assigned ratings favourably factor in the long experience of the management in textile industry and proximity to the textile cluster of Rajasthan resulting in increased customer base from processing houses and easy availability of raw material and skilled/unskilled labor.

However, the ratings are constrained by the company's modest scale of operations in an intensely competitive and highly fragmented industry. The ratings are further constrained by the high levels of gearing and below average net profitability indicators which in turn leads to low levels of coverage indicators as is evident by the DSCR of 0.98 times and Interest Coverage of 1.43 times in FY2018

Outlook: Stable

ICRA believes SRG Spinning And Weaving Mills Private Limited will continue to benefit from the experience of its promoters and favourable location. The outlook may be revised to Positive if substantial growth in revenue and profitability, and better working capital management, strengthens the financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, or if any major capital expenditure, or stretch in the working capital cycle, weakens liquidity.

Key rating drivers

Credit strengths

Experienced management- The Directors of the company are well qualified and have an experience of more than 15 years in diversified lines of business.

Proximity to the textile cluster of Rajasthan - The operations of the company are located nearby Bhilwara, Rajasthan, which is one of the largest textile clusters in India. Proximity to the region results in increased customer base from processing houses, lower transportation cost, easy availability of raw material and skilled/unskilled labor.

Credit challenges

Highly fragmented and competitive industry - SRG has moderate scale of operations and is a small sized player in the highly competitive textile garment industry. The small scale of operations with intense competition limits the bargaining power of the company. With limited price flexibility and absence of any long-term contracts with its customers, the demand for the products remains volatile.

High customer concentration with major sales to Gujarat- The company has a high customer concentration with the top 5 customers contributing to 75% of the total sales of the company. The major customers are concentrated in Ahmedabad, Gujarat as the region has a huge demand for the consumption of grey fabric. Moreover, in absence of any long term contract with the supplier, any change in demand trends may directly affect the operations of the company.

Low net profit margins impact the liquidity and financial risk profile – SRG’s net profit margins stand at 0.2% and 0.27% in FY2017 and FY2018 respectively. This, along with increasing working capital intensity deteriorates the financial and liquidity position of the company as evident by the current ratio of 1.14 times, DSCR of 0.98 times and Interest Coverage of 1.4 times in FY2018. However, the infusion of funds by the promoters mitigates the risk to an extent.

Liquidity Position:

The company has a stretched liquidity position due to low net profit margins with increasing working capital intensity as evident by the current ratio of 1.14 times, DSCR of 0.98 times and Interest Coverage of 1.4 times in FY2018. However, the infusion of funds by the promoters mitigates the risk to an extent.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	None
Consolidation / Standalone	None

About the company:

SRG Spinning And Weaving Mills Private Limited (SRG) was incorporated in February 2013 and commenced the commercial operations in June 2014. The company is engaged in the business of manufacturing of grey fabric from synthetics and cotton yarn. The plant of the company is located at Kishangarh with a total installed capacity of 42 Lakh Meter Per Annum for manufacturing of grey fabrics.

In FY2018, the company reported a net profit of Rs. 0.09 crore on an operating income of Rs. 33.13 crore, as compared to a net profit of Rs. 0.06 crore on an operating income of Rs. 31 crore in the previous year.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	31.00	33.13
PAT (Rs. crore)	0.06	0.09
OPBDIT/OI (%)	4.8%	4.8%
RoCE (%)	9.9%	9.2%
Total Debt/TNW (times)	4.38	4.26
Total Debt/OPBDIT (times)	6.7	7.7
Interest coverage (times)	1.36	1.43

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating February 2019	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Fund Based/ Cash Credit	Long Term	7.00	6.67	[ICRA]B+ (Stable)	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	9.55%	-	7.00	[ICRA]B+ (Stable)

Source: SRG Spinning And Weaving Mills Private Limited

ANALYST CONTACTS

K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Manish Ballabh
+91 124 4545 812
manish.ballabh@icraindia.com

Vipin Jindal
+91 124 4545 355
vipin.jindal@icraindia.com

Gunjan Virwani
+91 124 4545 832
gunjan.virwani@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents