

October 09, 2019

## Suncity Synthetics Limited: Rating downgraded to [ICRA]D

### Summary of rating action

Instrument*	Previously Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash credit	8.35	8.35	[ICRA]D; Downgraded from [ICRA]BB-(Stable)
Long-term Fund-based – Term Loan	1.74	1.74	[ICRA]D; Downgraded from [ICRA]BB-(Stable)
Long term Non-Fund based limits- Bank Guarantee	0.85	0.85	[ICRA]D; Downgraded from [ICRA]BB-(Stable)
Long term- Unallocated Limits	4.06	4.06	[ICRA]D; Downgraded from [ICRA]BB-(Stable)
<b>Total</b>	<b>15.00</b>	<b>15.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The downgrade in the rating reflects irregularities in debt servicing by the company as confirmed by its lender owing to its stretched liquidity.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters in nylon chip and PSF-manufacturing business** – The promoters of the company have about three decades of experience and an established track record in the nylon and polyester industry.

#### Credit challenges

**Irregularities in debt-servicing** – There has been irregularities in servicing of fund based and non-fund based facilities.

#### Liquidity position: Poor

SSL's liquidity is poor as reflected in irregularities in its debt servicing.

#### Rating sensitivities

**Positive triggers:** ICRA could upgrade SSL's rating if the company demonstrates a sustained track record of timely debt-servicing.

**Negative triggers:** Not applicable.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Policy on Default Recognition</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on standalone financial statements of the issuer

## About the company

Suncity Synthetics Ltd. (SSL) was incorporated in February 1988 and has its registered office at Surat, Gujarat and administrative office at Jodhpur, Rajasthan. The promoters were earlier involved in yarn manufacturing business and later switched to the production of nylon chips. Till FY2013, the company was involved in the business of manufacturing nylon granules, which are basically used as the matrix material in composite materials for reinforcing fibres like glass or carbon fibre. Since April 2013, the company started manufacturing polyester staple fibre as well. SSL is ISO 9001:2000 and ISO 14001 certified. It has also forayed into the manufacturing of nylon staple fibre (NSF), which finds applications in technical textile products as well as automotive industries. The plant became operational in August 2015 but due to low demand and intense competition, the company used the enhanced capacity to manufacture PSF only 3 from FY2017. SSL has two factories in Jodhpur, Rajasthan. One factory premise is used for manufacturing PSF and the other one is used for nylon granule and fibre manufacturing.

## Key financial indicators (audited):

	FY 2017	FY2018	FY2019
Operating Income (Rs. crore)	37.73	37.51	46.02
PAT (Rs. crore)	0.13	0.00	0.05
OPBDIT/ OI (%)	9.72%	9.26%	7.05%
RoCE (%)	7.77%	7.19%	6.74%
Total Debt/ TNW (times)	1.93	1.85	1.45
Total Debt/ OPBDITA (times)	4.04	4.16	3.48
Interest Coverage (times)	2.17	2.24	2.63

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2020)					Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating		FY2019	FY2018	FY2017
					9-Oct-19	28-Jun-19			
1	Fund-based CC Limit	Long Term	8.35	-	[ICRA]D	[ICRA]BB-(Stable)	-	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)
2	Fund-based Term Loan	Long Term	1.74	0.80*	[ICRA]D	[ICRA]BB-(Stable)	-	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)
3	Non-fund Based Bank guarantee	Long Term	0.85	-	[ICRA]D	[ICRA]BB-(Stable)	-	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)
4	Unallocated Limits	Long Term	4.06	-	[ICRA]D	[ICRA]BB-(Stable)	-	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)

Amount in Rs. Crore

\*Outstanding as on 31 march, 2019

## 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](http://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	-	-	-	8.35	[ICRA]D
NA	Term Loan	2014	-	2020	1.74	[ICRA]D
NA	Bank Guarantee	-	-	-	0.85	[ICRA]D
NA	Unallocated Limits	-	-	-	4.06	[ICRA]D

Source: SSL

### Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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