Rating Rationale

SIPL Textiles Pvt Ltd.

12 Sep 2018

Brickwork Ratings assigns 'BWR D' for the Bank Loan Facilities of Rs. 6.46 Crs of SIPL Textiles Pvt Ltd. ('STPL' or 'the Company')

Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating^
Fund Based			
CC	3.75	**Long Term**	**BWR D** (Pronounced as BWR D)
BD/LC	0.50**		
FDBP	0.40**		
TL1	0.49		
TL2	0.63		
TL3	1.09		
Non Fund Based			
BG	0.50	**Short Term**	
LC	0.35***		
Total	**6.46** (INR Six Crore and Forty Six Lakhs Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
*Annexure-I provides details of bank wise facilities
**Sub-limits of CC limit
***Sub-limits of BG limit

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has essentially relied upon the audited financial results of the Firm upto FY17, provisional financial information for FY18, projected financials for FY19 and FY20, publicly available information and information/clarifications provided by the management.

The rating draws strength from the promoter's academic qualifications and experience in the industry. The rating, however, is constrained by weak financial risk profile of the company, declining revenues, large working capital requirements and delay in servicing of debts.

Going forward, the ability of the company to improve the revenues and consequently its debt servicing capabilities would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Rating drivers

Credit strengths

- **Educated and Experienced management**

Mr. Anil Kumar Khanna, Mr. Ashish Khanna and Mr. Aditya Khanna, three directors of the company are academically Chartered Accountant, M.Sc and MBA respectively and are associated with the company for 4-5 years. Company employs well qualified professionals in the management.

Credit Weaknesses

- **Overall weak financial risk profile**

  Key Financial indicators like leverage ratios, coverage ratios and profitability of the company are weak.
- **Large Working Capital Requirement**

  During past 4 financial years, Cash conversion cycle has deteriorated from 59 days in FY15 to 236 days in FY18 particularly due to high inventory holding and receivable days. Although, company has been able to manage the CC due to delay in payments to the suppliers, but any deterioration in supplier terms may severely impact the working capital of the business.
- **Delay in servicing of Debt**

  Due to liquidity crunch, company has been facing difficulties in timely servicing of bank debts.

Background:

- M/s SIPL Textiles Pvt Ltd. (Formerly M/s Saurer Embroidery System India Pvt Ltd) is engaged in the business of manufacture and exports of embroidered and other textiles.
- Established in 1997, total paid up capital of the company is Rs.6.42 crs.
- Business of the company is run at two factory locations: (i) Pataudi Road, Sector 98, Gurgaon, (ii) Plot No. 66, Sector 34, EHTP, Gurgaon.
- Mr. Anil Kumar Khanna, Mr. Ashish Khanna, Mr. Aditya Khanna, Mr. V K Batra and Mr. Ankush Kapoor are the directors of the company.

Financial Performance

During FY17, STPL reported net revenues of Rs. 12.43 Crs and PAT of Rs.(2.47) Crs as against net revenues of Rs.14.49 Crs and PAT of Rs.0.34 Crs in FY16. On a provisional basis, the Firm reported revenues of around Rs.9.59 Crs for FY18.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Sept. 2018)			Rating History		
		Type	**Amount (Rs. Crs)**	**Rating**	**2017**	**2016**	**2015**
	Fund Based CC BD/LC FDBP TL1 TL2 TL3 **Non Fund Based** BG LC	Long Term Short Term	3.75 0.50* 0.40* 0.49 0.63 1.09 0.50 0.35**	BWR D	N/A	N/A	N/A
	Total	**6.46**		**INR Six crores and Forty Six Lakhs only**			

*Sub-limits of CC limit
**Sub-limits of BG limit

Status of Non cooperation with other CRA : CRISIL D (April 2017)

12 Sep 2018

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Manufacturing Companies**
- **Approach to Financial Ratios**

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SIPL Textiles Pvt Ltd

Annexure I

Details of Rated Bank Facilities

ank	acilities	ated Amount Rs Crs)
Union Bank of India, Connaught Circus, New Delhi	**Fund Based** CC BD/LC FDBP TL1 TL2 TL3 **Non Fund Based** BG LC	 3.75 0.50* 0.40* 0.49 0.63 1.09 0.50 0.35**
	otal	6.46

*Sub-limits of CC limit

**Sub-limits of BG limit

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Annexure II
Key Financial Indicators

Particulars		FY17	FY18 (Prov.)
Net Revenues	(Rs. Cr)	12.43	9.59
EBITDA	(Rs. Cr)	-0.04	0.83
PAT	(Rs. Cr)	-2.47	-1.25
Tangible Net Worth	(Rs. Cr)	5.05	3.80
Total Debt:TNW	(Times)	1.99	3.31
Current Ratio	(Times)	1.05	1.27

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Note on complexity levels of the rated instrument:
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About Brickwork Ratings
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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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