

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of ₹ 19.52 Crores of Shivam Syncotex Pvt. Ltd

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2020)	Present
Fund Based	19.40	16.52	Long Term	BWR BB- (Stable) Issuer Not Cooperating# (Downgrade)	BWR BB- (Stable) (Reaffirm)
Non-fund Based	3.00	3.00	Short Term	BWR A4 Issuer Not Cooperating# (Reaffirm)	BWR A4 (Reaffirm)
Total	22.40	19.52	INR Nineteen Crores and Fifty Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

#Issuer did not cooperate, based on best available information.

RATING ACTION / OUTLOOK : Stable

BWR has reaffirmed the rating at “BWR BB-/A4” with “Stable” outlook for the bank loan facilities of Shivam Syncotex Pvt. Ltd. The rating draws strength from the experienced promoters and modest financial risk profile. However, the rating is constrained on account of working capital intensive operations, thin profitability margins due to highly fragmented industry.

The rating outlook has been assigned as "Stable" as BWR believes that Shivam Syncotex Pvt. Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case there is improvement in revenues and profit margins. The rating



outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or liquidity issues.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoters:** The promoters of the company have a long standing experience of over three decades in the textile industry. Strong experience coupled with their educational background in expertised technical and marketing skills cushions the growth of the company. The skills will help in acquiring new clientele and retention of matured trade relations.
- **Moderate Financial Risk Profile:** The entity reported a total revenue of Rs 46.26 crs in FY 19, against Rs 55.06 crs in FY 18, provisional figures for FY 20 report sales of Rs 44.35 crs. PAT in FY 19 was reported at Rs 0.19 crs an increase from Rs 0.10 crs in FY 18 due to lower tax provisions. TNW in FY 19 was Rs 10.85 crs vs Rs 10.64 crs in FY 18. The debt equity is maintained at 1.85 in FY19 vis a vis 2.10 in FY 18. ISCR & DSCR in FY 19 were 3.68x (FY 18: 3.08x) and 1.26x (FY 18: 1.34x) respectively.

Credit Challenges

- **Working Capital Intensive Operations:** The operations of the entity are very working capital intensive. The conversion cycle in FY 19 was 72 days compared to 62 days in FY 18, high conversion days are due to high inventory holding period. The current ratio in FY 19 was 1.08x compared to 1.10x in FY 18.
- **Thin Profitability margins due to highly fragmented industry:** SSPL has a net profit margin of 0.40% mainly supported by non operating income and operating profit margin of 8.89% in FY19, marginal improvement was seen in OPM & NPM which were reported at 7.76% & 0.18% respectively in FY 18. The industry is highly fragmented due to low entry barriers and highly competitive with presence of large players, which further limits the bargaining power of SSPL.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the ability of the firm to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company inter alia, is able to improve its topline, profit margin or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : STRETCHED

There is no subsidiary/associate.

The entity has liquid investments in the form of FDRs of Rs 1.10 crs, and cash balances in FY19 (Audited) is Rs. 0.20 crs. The Cash Credit Utilization from Mar-20 to Aug-20 stands at 95.28%. Conversion Cycle is at 72 days in FY19 (Audited). There is a Long term borrowings of Rs 10.92 crs in FY 19 includes secured term loans from banks of Rs 9.25 crs and unsecured loans from related parties of Rs 1.65 crs. The company has not provided cash flows for the same. The company has a DSCR of 1.26x & ISCR of 3.68x in FY19 (Audited). Current ratio of the company stands at 1.08x in FY19 (Audited).

COMPANY PROFILE

Shivam Syncotex Pvt. Ltd(‘SSPL’ or ‘The Company’) commenced its operations in 2009. SSPL’s main line of business is manufacturing polyester yarn. The company caters to domestic as well as in exports markets. The manufacturing facility is located in Bhilwara, Rajasthan . The directors of the company are Mr. Akshay Gupta, Mr. Kamlesh Sodani and Mr. Niranjana Sharma. Sales upto Aug 2020 was Rs 7.83 crs

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018
Result Type		Audited	Audited
Operating Income	₹ Cr	45.97	53.81
EBITDA	₹ Cr	4.12	4.27
PAT	₹ Cr	0.19	0.10
Tangible Net Worth	₹ Cr	10.85	10.64
Total Debt/TNW	Times	1.85	2.10
Current Ratio	Time	1.08	1.10

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil

RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	2018	2017#
Fund Based	Long Term	16.52	BWR BB- Stable (Reaffirmed) Mar, 2020 BWR BB- Stable Issuer Not Cooperating* (Downgrade) Stable	BWR BB Stable (Reaffirmed)	NA	BWR BB (Stable) (Reaffirmed)
Non-fund Based	Short Term	3.00	BWR A4 (Reaffirmed) Mar, 2020 BWR A4 Issuer Not Cooperating* (Reaffirmed)	BWR A4 (Reaffirmed)		BWR A4 (Reaffirmed)
Total		19.52	INR Nineteen Crores and Fifty Two Lakhs Only			

* Issuer did not cooperate, based on best available information.

The entity was initially rated at BWR BB Stable/A4 in September,2016.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**

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Shivam Syncotex Pvt. Ltd
ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
Canara Bank	SODH	6.68	-	6.68
	Term Loan	9.84	-	9.84
	Letter of Credit	-	2.00	2.00
	Bank Guarantee	-	1.00	1.00
TOTAL				19.52

INR Nineteen Crores and Fifty Two Lakhs Only

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