



Rating Rationale

Sustainable Spinning and Commodities Pvt. Ltd.

11Feb2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 92.88 Crores of Sustainable Spinning and Commodities Pvt. Ltd (SSCPL)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov, 2017)	Present
Fund based	101.11	88.38	Long Term	Issuer Not Cooperating; BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Reaffirmed Outlook:Stable
Non Fund Based	6.00	4.50	Short Term	Issuer Not Cooperating; BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Total	107.11	92.88	INR Ninety Two Crores and Eighty Eight Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial results upto FY18, provisional financials of FY19(December), projections of FY19 & FY20 as well as publicly available information and the information/clarifications provided by the company.

Description of Key Rating Drivers

The Rating has factored in increase in scale of operations, moderate financial risk profile and locational advantage of the company. However, the rating is constrained by company's net losses, vulnerable profit margins as well as fragmented and competitive nature of the cotton industry.

Going forward, company's ability to improve its profitability and manage its working capital remain as key rating sensitivity.

Credit Strengths:

- **Increase in scale of operations:** Total operating income has increased on YOY basis from Rs 94.73 crs in FY17 to Rs 129.00 Crs in FY18. Further, SSCPL reported an operating income of Rs 142.36 Crs as per FY19 provisional financials (December).
- **Moderate financial risk profile:** As per scale of operations and level of debt, the company has moderate networth of Rs 61.40 Crs as on 31st March 2018. Gearing is moderate reflected by total debt/equity at 1.52 times and TOL/TNW at 1.63 times in FY18. Both the debt protection metrics remained comfortable in FY18. Current ratio is adequate at 2.36 times in FY18.
- **Geographical advantage:** The manufacturing unit of the concern is located near the cotton producing belt of Gujarat which gives easy access to availability of raw material.

Credit Risks:

- **Net Losses:** SSCPL has incurred net loss of Rs 1.69 crs in FY18 against PAT of Rs 3.95 Crs in FY17. However, this is mainly due to high non cash expense of depreciation.
- Profitability remains vulnerable to fluctuations in raw material prices and regulatory guidelines. The profit margins are exposed to fluctuations in raw cotton prices, which depend on various factors such as seasonality, climatic conditions, global demand and supply situation and export policy.
- **Fragmented and competitive nature of industry:** There are high number of organized as well as unorganized players in the market. Hence, competition may have an adverse effect to the operating profit margin of the company and limits its bargaining power.

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).

Rating Outlook:Stable

BWR believes the **Sustainable Spinning and Commodities Pvt. Ltd.** 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 the revenues and profit show



sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Sustainable Spinning and Commodities Pvt. Ltd (SSCPL) was incorporated in December 2012 as a Private Limited Company. However, the company commenced its commercial production on 28th August 2014. SSCPL is engaged in spinning of cotton and manufacturing of yarn and has an installed capacity of 19,584 spindles (capacity of 3,975 tonnes per annum). The company presently produces Organic and BCI cotton combed single ply yarns in the count range of 24s to 40s counts.

Company Financial Performance

SSCPL has achieved a total operating income of Rs 129.00 Crs in FY18 against Rs 94.73 Crs in FY17. NPM and OPM were at (1.31)% and 11.63% in FY18. Tangible networth stood at Rs 61.40 Crs as on 31st March 2018. Further, the company has conveyed to achieve total operating income of Rs 142.36 Crs as on 31st December 2018 (FY19).

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	Nov, 2017	2016	2015
1.	Fund Based	Long Term	88.38	BWR BBB- (Pronounced as BWR Triple B Minus) Reaffirmed Outlook:Stable	Issuer Not Cooperating; BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable	NA
2.	Non Fund Based	Short Term	4.50	BWR A4 (Pronounced as BWR A Four) Reaffirmed	Issuer Not Cooperating; BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)	
Total			92.88	₹ Ninety Two Crores and Eighty Eight Lakhs Only			



Status of non-cooperation with previous CRA (if applicable)-Reason and comments
 Any other information

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	129.00	94.73
EBITDA	₹ Cr	15.00	11.37
PAT	₹ Cr	(1.69)	3.95
Tangible Net worth	₹ Cr	61.40	53.09
Total Debt/Tangible Net worth	Times	1.52	1.05
Current Ratio	Times	2.36	2.72

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.