



Press Release

Surya Processors Private Limited (SPPL)

September 11th, 2020

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Facilities – Cash Credit	84.72 (Includes proposed facilities of INR37.72 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed
2	Long Term Fund Based Facilities – Term Loans	52.53 (Reduced from INR58.13 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed
3	Long Term Non-Fund Based Facility – Bank Guarantee	0.75	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed
4	Short Term Non-Fund Based Facility – Letter of Credit	12.00	IVR A3 (IVR Single A Three)	Reaffirmed
	Total	150.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to derive strength from long track record of operations and experienced management and improving profitability margins, albeit moderate financial risk profile. However, the rating strengths are partially offset by declining operating income levels and highly competitive & working capital intensive nature of industry.

Key Rating Sensitivities:

- **Upward Factor**

- Substantial increase in revenue while maintaining profitability margins leading to sustained improvement in debt protection metrics.

- **Downward Factor**

Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.



Press Release

Key Rating Drivers with detailed description

Key Rating Strengths

- ***Long track record of operations and experienced management:***

SPPL has an established track record of over three decades now. The Company is promoted by Mr. S.K. Kapoor, who has been in the said industry from over 40 years now and is associated with the company since its inception. He also acts as a member of Governing Body of Northern India Textile Research Association (linked to Ministry of Textiles). The extensive experience of the promoter has enabled the company to forge healthy relationships with its customers and suppliers. The experience of promoters continues to help the company to improve its product profile. Initially the Company started with dyeing and finishing capabilities and gradually expanded into weaving and printing of fabrics and yarn-dyeing. SPPL tapped in the export market only in FY2018 and has been able to improve its operational margins thereafter. The EBITDA (%) improved to 13.88% in FY2020 (Provisional) as against 9.40% in FY2019 and 6.93% in FY2018.

The Company shall benefit from the promoters' experience and its established relations with the customers in the medium term.

- ***Moderate financial risk profile, albeit Improved profitability margins;:***

The financial risk profile is moderate marked by adequate adjusted net worth and debt protection measures and the gearing levels. The adjusted net worth stood adequate at INR58.14 Crore as on March 31st, 2020 (Provisional). The adjusted net worth includes subordinated unsecured loans amounting to INR18.00 Crore as on March 31st, 2020 (Provisional). Though the Company has seen a decline in the overall operating income generated in the last two years, the profitability margins have improved, given the curbs in production costs, certain export sales made and their increasing focus in the newly formed denim manufacturing division. The PAT (%) improved to 2.58% in FY2020 (Provisional) when compared to 0.84% in FY2019. Owing to moderate revenue levels coupled with adequate profitability margins have resulted in moderate debt protection metrics. The interest coverage ratio (ICR) stood at 2.27% in FY2020 (Provisional). TOL/ANW improved to 2.44x as on March 31st, 2020 (Provisional) as against 3.03x as on March 31st, 2019.



Press Release

Key Rating Weaknesses

- ***Declining operating income levels:***

The operating income has been declining consistently year-on-year; against its peak top line of INR291.04 Crore in FY2018, which has declined to INR233.72 Crore in FY2019 and further to INR179.08 Crore in FY2020 (Provisional). This is mainly due to the high un-utilized production capacity at its manufacturing facility due to inadequate availability of working capital limits. To overcome this, since FY2019, the Company is strategically exploring opportunities for export sales with its increasing interest being Sri Lanka, Bangladesh and Italy. Disruptions due to COVID-19 shall impact overall business operations of textile players like SPPL, which will further affect the revenue generation opportunities of the firm. To mitigate the risk to some extent company also ventured into manufacturing of PPE Kits & face mask made up of woven fabrics. The present order book size stood modest at around INR70 Crore as on August 2020, which is expected to be delivered in the current fiscal.

- ***Highly competitive and working capital intensive nature of industry:***

The Indian textile industry is highly fragmented and competitive marked by presence of large number of organized and unorganized players. This restricts the pricing flexibility and bargaining power with its customers. Also, the operating margins are fluctuating due to the volatility in pricing of raw materials. However, the promoters' long established presence in the field shall enable them to pass the volatility in raw material process to its customers, further reducing the risk to a certain extent.

SSPL has stretched working capital operations marked by high inventory holding period. The average inventory holding period stood at 140 days in FY2020 (Provisional) as against 87 days in FY2019 largely due to March end nationwide lockdown. The debtor days stood at 68 for FY2020 (Provisional) as against 61 for FY2019.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)



Press Release

Liquidity: Stretched

The Company working capital operations is intensive in nature and hence needs a higher reliance on the working capital limits. The average bank limit utilization stood at almost 96% for twelve months ended July 2020. Also, it maintains an unencumbered cash balances stood modest at INR0.16 Crore as on March 31st, 2020 (P). Current ratio stood modest at 1.23x as on March 31st, 2020 (P). To cope up with any liquidity issues, the promoters have maintained sufficient levels of unsecured loans amounting to INR25.37 Crore as on March 31st, 2020 (P). Any major negative deviation in the projected revenue & profitability is likely to put pressure on cash flows of the company.

About the Company

Surya Processors Private limited (SPPL) started its operation in 1986 in Ghaziabad. The facility started with Dyeing and Finishing capabilities and has since expanded into Weaving, Printing, and Yarn-Dyed Fabrics. Its product profile includes fabrics such as cotton, viscose, polyester and its blends, lycra, corduroy and yarn dyed. Also, SPPL is known for its manufactured fabrics with fire retardant, PU Coating, Microdot Fusible and Non Fusible interlining & water repellent finishes.

Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	233.72	179.08
EBITDA	21.96	24.86
PAT	1.95	4.62
Total Debt	111.11	104.20
Tangible Net worth	35.52	40.14
EBITDA (%)	9.40	13.88
PAT (%)	0.84	2.58
Overall Gearing Ratio (x)	2.08	1.79

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: ICRA Ratings has moved the rating of Surya Processor Private Limited into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated August 09, 2019.



Press Release

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (September 11 th , 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facilities – Cash Credit	Long Term	84.72 (Includes proposed facilities of INR37.72 Crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	--
2.	Long Term Fund Based Facilities – Term Loans	Long Term	52.53	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	--
3.	Long Term Non-Fund Based Facility – Bank Guarantee	Long Term	0.75	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	--
4.	Short Term Non-Fund Based Facility – Letter of Credit	Short Term	12.00	IVR A3 (IVR Single A Three)	IVR A3 (IVR Single A Three)	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities



Press Release

and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Cash Credit	84.72 (Includes proposed facilities of INR37.72 Crore)	NA	NA	NA	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Long Term Fund Based Facilities – Term Loans	52.53	NA	NA	Upto March 2026	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Long Term Non-Fund Based Facility – Bank Guarantee	0.75	NA	NA	NA	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Short Term Non-Fund Based Facility – Letter of Credit	12.00	NA	NA	NA	IVR A3 (IVR Single A Three)