

Rating Advisory August 20, 2018 | Mumbai

Sheshadri Industries Limited

Advisory as on August 20, 2018

This rating advisory is provided in relation to the rating of Sheshadri Industries Limited

The key rating sensitivity factors for the rating include:

- Timely servicing of debt

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Sheshadri Industries Limited (SIL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If SIL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Company

SIL, incorporated in 2013, is engaged in cotton yarn spinning unit located at Rajna (Madhya Pradesh) and garment manufacturing plant. The company is promoted by Mr. J.K Agarwal.

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Rating Rationale

August 24, 2017 | Mumbai

Sheshadri Industries Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.51 Crore
Long Term Rating	CRISIL D (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL D' rating to the bank facilities of Sheshadri Industries Limited (SIL).

The rating reflects current delays by SIL in servicing its debt. The delays have been caused due to SIL's weak liquidity.

The ratings reflects weak financial risk profile marked by modest net worth, high gearing and weak debt protection metrics. The rating also reflects susceptibility of operating margin to volatility in raw material prices. However, it benefits from extensive experience of SIL's promoters in the textile industry.

Key Rating Drivers & Detailed Description

Weakness

* Delay in debt servicing

SIL has been delaying in repayment of interest and principal amount of its term loan facility. The same is on account of company's weak liquidity.

* Weak financial risk profile

The company's financial risk profile is weak marked by modest net worth, high gearing and weak debt protection metrics. Net worth was negative, as on March 31 2017, on account of accumulated losses. Debt protection metrics was weak owing to operating losses in the Fiscal 2017.

Financial risk profile is expected to remain weak over the medium term.

* Susceptibility of operating margin to volatility in raw material prices

Raw material costs accounted for around 68 per cent of ASLML's revenue in 2016-17 Cotton prices have been highly volatile in past which exposes the company to the risk arising due to any change in cotton prices.

Strengths

* Extensive industry experience of promoters

Extensive experience of promoters of more than 35 years has helped the company in building strong customer and supplier relationships. Established relationship with customers and suppliers help the company in uninterrupted raw material procurement and repeated orders from customer.

About the Company

SIL, incorporated in 2013, is engaged in cotton yarn spinning unit located at Rajna (Madhya Pradesh) and garment manufacturing plant. The company is promoted by Mr. J.K Agarwal.

SIL reported net losses of Rs.16.55 crore on revenue of Rs.57.93 crore in fiscal 2017, against Rs.2.84 crore and Rs.102.1 crore in fiscal 2016.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	57.9	102.1
Profit After Tax	Rs. Cr.	-16.5	-2.8
PAT Margin	%	-26.8	-2.6
Adjusted Debt/Adjusted Net worth	Times	-4	14.9
Interest coverage	Times	-1.13	0.64

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate	Maturity date	Issue size (Rs.Cr.)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	16.46	CRISIL D
NA	Long Term Loan	Mar-2015	NA	Mar-2023	34.54	CRISIL D

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014		Start of 2014
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	51	CRISIL D		No Rating Change	26-05-16	CRISIL D		--		--	--

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	16.46	CRISIL D	Cash Credit	14.01	CRISIL D
Long Term Loan	34.54	CRISIL D	Long Term Loan	23.72	CRISIL D
--	0	--	Proposed Long Term Bank Loan Facility	13.27	CRISIL D
Total	51	--	Total	51	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Approach to Recognising Default](#)

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