



SMERA RATINGS LIMITED

Sidana Silk Mills Private Limited (Sidana Silk)

Rating
Rationale

February 23, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA B+/Stable (Assigned)
Term Loan	4.35	SMERA B+/Stable (Assigned)
Bank Guarantee	0.20	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA B plus**) and **SMERA A4** (read as **SMERA A four**) to the Rs.6.55 crore bank facilities of Sidana Silk Mills Private Limited (Sidana Silk). The outlook is '**Stable**'. The ratings are constrained by the small scale of operations, uneven revenue trends and presence in a competitive and fragmented textile industry. The ratings are further constrained by the susceptibility of operating margins to volatility in raw material prices. However, these weaknesses are partially offset by the management's extensive industry experience and moderate financial risk profile.

Outlook: Stable

SMERA believes that Sidana Silk will continue to maintain a stable business risk profile over the medium term owing to the promoter's extensive industry experience. The outlook may be revised to 'Positive' in case the company achieves higher than expected revenues while sustaining its existing operating margins. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates further resulting in deterioration of the financial risk profile especially liquidity.

Rating Sensitivity Factors

- Sustainable growth in revenues or operating margins
- Efficient working capital management
- Susceptibility of operating margins to volatile raw material prices

About the Company

Incorporated in 1981, Sidana Silk was taken over by Mr Indrajeetingh Chug in 2002. The company is engaged in the manufacture of grey cloth used in shirtings at Vasai, MIDC - Tarapur Palghar district and has an installed capacity of 3,25,000 MTPM (meters per month). Currently, it operates at 73 percent capacity.

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For FY2014-15, Sidana Silk reported profit after tax (PAT) of Rs.0.13 crore, on operating income of Rs.13.55 crore, as compared with PAT of Rs.0.24 crore on operating income of Rs.14.34 crore in the previous year.

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