



SMERA RATINGS LIMITED

Sarmangal Synthetics Private Limited (SSPL)

*Rating
Rationale*

November 27, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.00	SMERA C (Assigned)
Letter of Credit	3.00	SMERA A4 (Assigned)
Bank Guarantee	0.37	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA C**' (read as **SMERA C**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Sarmangal Synthetics Private Limited (SSPL). The ratings reflect delays in servicing of debt by the company. The ratings also reflect the company's stretched liquidity position. The ratings are constrained by the company's weak financial profile and low profitability. The aforementioned weaknesses are partially offset by the company's experienced management.

SSPL, incorporated in 1995, is a Coimbatore-based company engaged in manufacturing of polyester viscose yarn. SSPL's bank statements reflect delays in debt servicing. The company's stretched liquidity position is evidenced by high utilisation (~99.25 per cent) of cash credit limit during July 2014 to September 2014.

SSPL's weak financial profile is marked by debt-equity ratio of 2.04 times as on March 31, 2014 and interest coverage ratio of 1.86 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's operating profit margin declined from 16.57 per cent in FY2011-12 to 11.16 per cent in FY2013-14. SSPL reported low net profit margin of 0.15 per cent in FY2013-14.

SSPL benefits from its experienced management. Mr. Balchand Bothra, chairman and director of SSPL, has around two decades of experience in the textile industry.

About the company

SSPL, incorporated in 1995, is a Coimbatore-based company promoted by Mr. Balchand Bothra, Mr. Nirmalkumar and Mr. Mahaveerchand Bothra. SSPL is engaged in manufacturing of polyester viscose yarn.

For FY2013-14, SSPL reported profit after tax (PAT) of Rs.0.07 crore on operating income of Rs.50.27 crore, as compared with PAT of Rs. 0.05 crore on operating income of Rs.40.11 crore in FY2012-13. The company reported operating income of Rs.15.49 crore (provisional) during April 2014 to June 2014. SSPL's net worth stood at Rs.11.17 crore as on March 31, 2014, as compared with Rs.10.69 crore a year earlier.

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Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal Vice President – Sales (SME) Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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