

April 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.00	SMERA BB/Stable (Assigned)
Term Loan I	3.37	SMERA BB/Stable (Assigned)
Term Loan II	6.00	SMERA BB/Stable (Assigned)
Bank Guarantee	0.57	SMERA A4+(Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Shreebhav Polyweaves Private Limited (SPPL). The outlook is '**Stable**'. The ratings are supported by the company's established track record of operations and experienced management. The ratings also draw comfort from the company's healthy financial risk profile and profit margins. However, the ratings are constrained by the company's small-scale operations in an intensely competitive segment of the textile industry. The ratings are also constrained by the company's working capital-intensive operations.

SPPL, incorporated in 2005, is a Surat-based company engaged in manufacturing of fabric. SPPL also undertakes embroidery job work. The company has small-scale operations marked by total operating income of Rs.20.25 crore in FY2013-14 (refers to financial year, April 01 to March 31). SPPL's operations are working capital-intensive. The company's utilisation of working capital limit was high at 93 per cent during September 2014 to March 2015.

SPPL benefits from its experienced management. The directors of the company have around two decades of experience in the textile industry. SPPL's healthy financial risk profile is reflected in low leverage (debt-equity ratio) of 0.90 times as on March 31, 2014 and strong interest coverage ratio of 4.33 times in FY2013-14. The company reported healthy net profit margin of 5.61 per cent (provisional) in FY2014-15.

Outlook: Stable

SMERA believes SPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations. The outlook may be revised to 'Negative' in case of decline in the company's revenue or profit margins, or in case of deterioration in the company's financial risk profile and working capital management.

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About the company

SPPL, incorporated in 2005, is a Surat-based company owned by Mr. Sanjay Agarwal and Mrs. Shalini Agarwal. SPPL is engaged in manufacturing of fabric. The company also undertakes embroidery job work.

For FY2013–14, SPPL reported profit after tax of Rs.0.51 crore on total income of Rs.20.25 crore, as compared with profit after tax of Rs.0.86 crore on total income of Rs.17.38 crore in FY2012–13. The company's net worth stood at Rs.8.14 crore as on March 31, 2014, as compared with Rs.7.63 crore a year earlier. SPPL registered profit after tax of Rs.1.34 crore (provisional) on total income of Rs.23.87 crore (provisional) in FY2014–15. The company's net worth stood at Rs.9.48 crore (provisional) as on March 31, 2015.

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