

Shreebhav Polyweaves Private Limited: Reaffirmed

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

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Shreebhav Polyweaves Private Limited (SPPL). The outlook is '**Stable**'.

The ratings continue to draw support from the established track record of operations and experienced management. The ratings also draw comfort from the healthy financial risk profile and profit margins. However, the ratings continue to be constrained by the intense market competition in the textile industry and working capital-intensive business.

SPPL, incorporated in 2005, is a Surat-based company that manufactures fabric and undertakes embroidery job work. The company benefits from its experienced management. The directors have around two decades of experience in the textile industry.

Update

For FY2015-16 (Provisional), SPPL registered net profit of Rs.1.05 crore on operating income of Rs.41.70 crore as against net profit of Rs.0.69 crore on operating income of Rs.23.37 crore for FY2014-15.

However, SPPL's operations continue to be working capital-intensive as reflected in the high debtor days of 110 days and high creditor days of 101 days for FY2015. Also, the operating margins have registered a decline of ~3.00 per cent for FY2016(Provisional).

The debt-protection metrics continue to remain comfortable with interest coverage ratio (ICR) of 3.43 times and debt service coverage ratio (DSCR) of 1.21 times as on March 31, 2015. The leverage (debt-to-capital ratio) stood at 1.07 times as on March 31, 2015 as against 0.90 times as on March 31, 2014.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Deterioration in the financial risk profile
- Efficient working capital management

Outlook-Stable

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

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

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

For FY2015-16 (Provisional), the company reported profit after tax (PAT) of Rs.1.05 crore on operating income of Rs.41.70 crore, as compared with net profit of Rs.0.69 crore on operating income of Rs.23.37 crore in FY2014-15. The net worth stood at Rs.8.83 crore as on March 31, 2015.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
28 Apr, 2015	Cash Credit	6.00	SMERA BB (Assigned)	-	Stable
	Term Loan I	3.37	SMERA BB (Assigned)	-	Stable
	Term Loan II	6.00	SMERA BB (Assigned)	-	Stable
	Bank Guarantee	0.57	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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