



SMERA RATINGS LIMITED

Status Spinning Mills Private Limited (SSMPL)

*Rating
Rationale*

June 05, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	1.17	SMERA B/Stable (Assigned)
Cash Credit	4.50	SMERA B/Stable (Assigned)

SMERA has assigned rating of '**SMERA B' (read as SMERA single B)** to the Rs. 5.67 crore bank facilities of Status Spinning Mills Private Limited (SSMPL). The outlook is '**Stable**'. The rating is constrained by the company's moderate scale of operations amidst intense competition in the textile industry. The rating is also constrained by the company's exposure to raw material price volatility and supplier concentration risk. However, the rating draws comfort from the company's experienced management and financial support from the parent company, VST Spintex India Private Limited in the form of unsecured loans.

SSMPL, incorporated in 1995, is an Erode-based subsidiary of VST Spintex India Private Limited engaged in the manufacture of polyester texturized yarn in the range of 40s to 60s counts. The company has moderate scale of operations with operating income of Rs.9.00 crore (provisional) in FY2014-15 (refers to financial year, April 01 to March 31). SSMPL's profit margins are exposed to volatility in raw material prices and supplier concentration risk as the company procures 100% of the partially oriented yarn (POY) required from Reliance Petroleum Limited leading to limited bargaining power in terms of pricing and credit period. Besides, the company faces intense competition from several players in the textile industry.

However, the company benefits from its experienced management. The promoters of the company have 25 years of experience in the textile industry. Further, SSMPL enjoys financial support of parent company, VST Spintex India Private in the form of interest-free unsecured loan to the tune of Rs.3.91 crore. To arrive at its rating, SMERA has treated the above mentioned unsecured loan of Rs.3.91 crore as neither debt nor equity since this will be retained in the business until the bank loans are repaid.

Outlook: Stable

SMERA believes that over the medium term, SSMPL will continue to benefit from the company's established presence in the textile industry and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the company's financial risk profile.

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About the Company

SSMPL, incorporated in 1995, is an Erode-based company promoted by Mr. Amit Saigal, Mr. Nagarajan, Mrs. Palanisamy Sudha and Mr. B. Suresh. The company was taken over by VST Spintex India Private Limited in 2014 and is engaged in the manufacture of polyester texturized yarn in the range of 40s to 60s counts since then. The company has an installed capacity of 9,000 spindles.

For FY2014-15, SSMPL registered operating income of Rs. 9.00 crore (provisional). SSMPL's net worth stood at Rs. 0.68 crore as on March 31, 2015 (provisional).

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