

July 05, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	11.00	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) to the above mentioned bank facility of Suryalaxmi Cottex Private Limited (SCPL, part of the Shri Ram Sarup Group). The outlook is '**Stable**'.

For the rating process, SMERA has consolidated the business and financial risk profiles of SCPL and Shri Ram Sarup Garg Cotton Mills (SRSGCM), another group firm, together referred to as Shri Ram Sarup Group (SRSG) due to the common management and strong operational and financial linkages between the two entities.

The rating is constrained by risks related to customer concentration, low profitability and the group's exposure to agro climatic conditions. However, the aforementioned weaknesses are offset by an experienced management, healthy scale of operations and moderate leverage.

SCPL, incorporated in 1997 is engaged in the business of ginning and pressing of cotton. The operations are managed by Mr. Vinod Kumar Garg, Director. The group's rating is constrained on account of customer concentration risk with around 95 per cent of revenues being generated from a single customer - SEL Manufacturing Company Limited. Also, the group's profitability has declined to 0.83 per cent (provisional) in FY2014-15 from 1.42 per cent in FY2012-13, due to a shift to trading of cotton bales from cotton ginning. Further, the group is exposed to agro climatic risk.

However, the group is headed by Mr. Vinod Kumar Garg who has more than two decades of experience in the line of business. The operating income has improved to around Rs.509 crore (provisional) in FY2014-15 from Rs.129.50 crore in FY2012-13.

SRSG's debt-to-capital ratio has improved to 0.95 times (provisional) in FY2014-15 from 2.25 times during the previous year. The total debt of Rs.54.02 crore (provisional as on March 31, 2015) includes non-interest bearing unsecured loans of Rs.24.76 crore from promoters, friends and relatives. These unsecured loans are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

Outlook: Stable

SMERA believes that SRSG will continue to benefit over the medium term from its experienced management and long track of operations. The outlook may be revised to 'Positive' in case of improvement in the profitability while maintaining the working capital cycle and customer

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

diversification. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenues and profitability, elongation of working capital cycle or unfavourable changes in government policies affecting the group's business.

About the Group

Suryalaxmi Cottex Private Limited (SCPL), incorporated in 1997 is engaged in the business of ginning and pressing of cotton at its manufacturing facility in Abhor (Punjab). The total installed capacity of the firm is 165 cotton bales per day and 560 quintals of cotton seeds. The operations of the company are managed by the Garg family.

Shri Ram Sarup Garg Cotton Mill (SRSGCM) was incorporated in 1996, by Mr. Satish Kumar Garg, Mr. Vinod Kumar Garg and Mr. Satpal Garg. A Punjab-based ginning firm, SRSGCM has three ginning units at Malout, Muktsar and Gidderbaha with a total installed capacity of 660 bales per day. The firm was into the ginning business up to FY2011-12 after which it ventured into cotton trading.

For FY2013-14, SRSG reported profit after tax (PAT) of Rs.0.83 crore on operating income of Rs.235.84 crore as compared with PAT of Rs.0.46 crore on operating income of Rs.129.50 crore for FY2012-13. For FY2014-15, the group reported PAT of Rs.1.04 crore (provisional) on operating income of Rs.508.57 crore (provisional). The net worth stands at Rs.30.75 crore (provisional) on March 31, 2015 as compared with Rs.28.72 crore a year earlier.

Contact List

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.