

October 19, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>16.00</b>	<b>SMERA BB/Stable (Assigned)</b>
<b>Term Loan</b>	<b>6.82</b>	<b>SMERA BB/Stable (Assigned)</b>
<b>Cash Credit (Proposed)</b>	<b>1.29</b>	<b>SMERA BB/Stable (Assigned)</b>
<b>Bank Guarantee</b>	<b>0.07</b>	<b>SMERA A4+ (Assigned)</b>

SMERA has assigned a long term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the above mentioned bank facilities of Arnothaya Mills (AM). The outlook is '**Stable**'. The ratings derive comfort from the extensive experience of the firm's promoters in the industry and the above average financial risk profile marked by healthy net worth. However, the ratings are constrained by the susceptibility of the firm's profitability to volatility in input prices and intense market competition.

### Outlook: Stable

SMERA believes that AM would continue to benefit over the medium term from the promoters long track record of operations. The outlook may be revised to 'Positive' in case of an increase in the firm's scale of operations and operating margins leading to improvement in business risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's cash accruals or working capital cycle leading to weakening of its liquidity.

### Rating Sensitivity Factors

- Sustained improvement in profitability
- Improvement in working capital management

### About the Firm

AM is a Coimbatore-based partnership firm established in 1992 by Mr. Muthukumaraswamy. The firm is engaged in the manufacture of grey cloth used in household textile products.

For FY2014-15, AM reported profit after tax (PAT) of Rs.0.62 crore on operating income of Rs.157.45 crore as compared with PAT of Rs.0.46 crore on operating income of Rs.128.97 crore for FY2013-14.

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