

October 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	13.00 *	SMERA BB+/Stable (Assigned)
Cash Credit	3.00	SMERA BB+/Stable (Assigned)
Term Loan	12.75	SMERA BB+/Stable (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)
Bank Guarantee/Letter of Gurantee	0.25	SMERA A4+ (Assigned)

* EPC and FBD of Rs.1.60 crore each – sub limit within CC

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.30.00 crore bank facilities of Suryaamba Spinning Mills Limited (SSML) with a '**Stable**' outlook. The ratings draw comfort from the promoter's extensive experience in the textile industry, established relations with customers and suppliers and above average debt protection metrics. However, the ratings are constrained by the working capital intensive operations, susceptibility of the operating margins to volatility in raw material prices and intense competition in the highly fragmented textile industry.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Working capital management
- Future capital expenditure plans and its funding mix thereof

Outlook: Stable

SMERA believes that SSML will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' in case of substantial increase in the scale of operations and profitability leading to improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if SSML reports considerably low accruals because of decline in revenue/profitability or registers deterioration in the financial risk profile due to debt funded capital expenditure.

About the Company

Incorporated in 2007, SSML, promoted by Mr. Virendra Kumar Agarwal is engaged in the manufacture of polyester and synthetic yarns at its facility situated in Nagpur, Maharashtra.

The company reported profit after tax (PAT) of Rs.1.81 crore on operating revenues of Rs.146.59 crore for FY2014-15, as compared with PAT of Rs.2.14 crore on operating revenues of Rs.156.39 crore in the previous year. The company has subordinated interest-bearing unsecured loans of Rs.4.32 crore (as on March 31, 2015) from promoters and related parties. SMERA has treated such unsecured loans as quasi-equity

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