

**November 17, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	15.00	SMERA B/Stable (Assigned)
Term Loans	16.52	SMERA B/Stable (Assigned)
Letter of Credit	2.00	SMERA A4 (Assigned)
Bank guarantee/ Letter of Guarantee	0.69	SMERA A4 (Assigned)

SMERA has assigned rating of '**SMERA B**' (read as **SMERA B**) and '**SMERA A4**' (read as **SMERA A four**) to the above mentioned bank facilities of Sree Anandhakumar Mills Limited (SAML). The outlook is '**Stable**'.

The rating is constrained by the exposure of company's profitability to intense competition in the industry and volatility in raw material prices. However, the rating draws comfort from the established operational track record extensive and experience management in the textile business.

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from the promoter's extensive industry experience. The outlook may be revised to 'Positive' if the company improves its scale of operations and profitability leading to improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company registers decline in cash accruals or working capital management leading to deterioration in its financial risk profile, particularly liquidity.

Rating Sensitivity Factors

- Sustained improvement in profitability
- Deterioration in working capital management
- Future capital expenditure plans and its funding pattern

About the Company

SAML, incorporated in 1955, is a Coimbatore-based company, engaged in manufacturing of cotton yarn and fabric. The company operations are managed by Mr. Rathindran and Mr. Venkataram, directors of the company with over three decades of experience in the above mentioned line of business.

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SMERA RATINGS LIMITED

Sree Anandhakumar Mills Limited (SAML)**Rating
Rationale**

For FY2013-14, the company reported profit after tax (PAT) of Rs.0.72 crore on operating income of Rs.54.27 crore as against profit after tax (PAT) of Rs.1.12 crore on operating income of Rs.38.22 crore in FY2012-13.

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