



SMERA RATINGS LIMITED

Jayaa Sree Textiles Private Limited (JSTPL)

Rating Rationale

March 09, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.00	SMERA B/Stable (Assigned)
Term Loan I	1.00	SMERA B/Stable (Assigned)
Term Loan II	0.50	SMERA B/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) to the above mentioned bank facilities of Jayaa Sree Textiles Private Limited (JSTPL). The outlook is '**Stable**'. The rating is constrained by the small scale of operations with stagnant revenues, low profitability, average financial risk profile marked by high gearing and low coverage indicators and intense competition in highly fragmented textile industry. However, the rating is supported by the company's long track record of operations and experienced management.

Outlook: Stable

SMERA believes that JSTPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers improvement in scale of operations while achieving healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

Rating Sensitivity Factors

- Ability to scale up operations while improving profitability
- Improvement in the financial risk profile

About the Company

JSTPL is a Tamil Nadu-based company, incorporated in 2004 by Mr. Srinivasan Rajendran, Mrs. Thiruvenkadam Dhanalakshmi and Mr. Ramkumar Rajendran. The company is engaged in the manufacture of cotton yarn. The company's clients are spread across MP, Maharashtra and Tamil Nadu.

For FY2014-15, JSTPL reported net profit of Rs.0.03 crore on operating income of Rs.17.94 crore, as compared with net profit of Rs.0.16 crore on operating income of Rs.18.73 crore in FY2013-14. The company's net worth stood at Rs.2.04 crore as on March 31, 2015, as compared with Rs.2.01 crore a year earlier.

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*Rating
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