

Meera Cotton & Synthetic Mills Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	22.85	SMERA BB/Stable (Assigned)
Term Loan	17.37	SMERA BB/Stable (Assigned)
Proposed	5.93	SMERA BB/Stable (Assigned)
Foreign Bill Discounting	3.00	SMERA A4+ (Assigned)
Bank Guarantee	0.85	SMERA A4+ (Assigned)

SMERA has assigned 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 Rs.50.00 crore bank facilities of Meera Cotton & Synthetic Mills Private Limited (Meera Cotton). The outlook is **'Stable'**.

The ratings derive comfort from the company's experienced management and average financial risk profile. However, the ratings are constrained by the declining margins resulting in cash accruals being tightly matched with repayment obligations. The ratings also factor in the susceptibility of revenues and profit margins to volatility in crude oil prices and competition in the textile industry.

Meera Cotton is headed by Mr. Jayesh Shah (Managing Director) who possesses vast experience in the textile industry. The company's financial risk profile is average marked by gearing of 1.75 times as on March 31, 2015 and 1.47 as on March 31, 2016. However, the cash accruals are tightly matched with repayment obligations as reflected in the interest coverage ratio of 1.51 times and DSCR of 0.99 times as on March 31, 2015.

Meera Cotton's margins have been declining during the period under study due to susceptibility to volatility in raw material prices and intense competition in the textile industry. The EBITDA margin fell from 6.32 per cent in FY2012-13 to 4.67 per cent in FY2014-15. Further, as per FY2015-16 (Provisional), EBITDA margin stands at 5.25 per cent. The revenues of the company have also declined from Rs.199.13 crore in FY2015 to Rs.165.97 crore in FY2016 (Provisionals) on account of susceptibility to crude oil prices.

Rating Sensitivity Factors

- Improving scale of operations
- Maintaining stable margins
- Fluctuations in raw material prices

Outlook-Stable

SMERA believes that Meera Cotton will continue to benefit over the medium term on account of the company's established market position in the cotton yarn industry and extensive experience of its promoters. The outlook may be revised to 'Positive' if the company registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in the capital structure as a result of equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

Criteria to arrive at the ratings

- Manufacturing entities

About the Company

Meera Cotton, incorporated in 1994 is headed by Managing Director Mr. Jayesh Shah. The company is engaged in the manufacture of texturised yarn, twisted yarn, knitted fabric and readymade garments. The company has two manufacturing units at Silvassa and Bhiwandi.

In FY2014-15, the company reported profit after tax (PAT) of Rs.0.70 crore on operating income of Rs.199.13 crore as against net profit of Rs.1.24 crore on operating income of Rs.172.35 crore in the previous year. As per FY2015-16 (Provisional), the net profit stands at Rs.1.73 crore on operating income of Rs.165.97 crore.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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