

### Spintech Textile Industries: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	2.00	SMERA B/Stable (Assigned)
Term Loan	8.70	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** on the Rs.10.70 crore bank facilities of Spintech Textile Industries (STI). The outlook is '**Stable**'.

The rating is constrained by the firm's small scale of business and nascent stage of operations. The rating also factors in the working capital intensive operations and intense market competition. However, the aforementioned weaknesses are partially offset by the experienced management and proximity to raw material sources.

STI, established in 2012 commenced commercial operations from July 2015 to manufacture cotton yarn. The firm operates on a small scale with revenues of Rs.9.27 crore in FY2015-16. As per provisional financials, the firm registered operating income of Rs.12.88 crore from April 2016 to November 2016. STI's operations are working capital intensive on account of the high inventory holding of around 167 days for FY2015-16. The rating also notes the intense competition in the textile industry.

However, STI benefits from its experienced management. Mr. Ashok Gandhi, Mr. Pradeep Chaware, and Mr. Amal Chaware, Partners possess around 15 years of experience in the textile spinning industry.

#### Rating Sensitivity Factors

- Scaling up revenue while maintaining profitability
- Effective working capital management
- Improvement in the capital structure

#### Outlook-Stable

SMERA believes that STI will continue to benefit over the medium term on account of the firm's established presence in the textile industry and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenues and improves profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its financial risk profile.

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

#### About the Firm

STI, a partnership firm established in 2012 is engaged in the manufacture of cotton yarn at Washim, Maharashtra. The firm procures its raw material locally from farmers. The partners, Mr. Ashok Gandhi, Mr. Pradeep Chaware and Mr. Amal Chaware are well qualified and possess more than a decade of experience in the industry. The firm has an installed capacity of 9000 spindles and produces 200 kg of yarn per annum.

For FY2015-16 (refers to financial year, April 01 to March 31), the firm registered profit after tax (PAT) of Rs.0.09 crore on operating income of Rs.9.27 crore.

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