

February 01, 2013

| Facilities                       | Amount (Rs. Crore) | Rating                   |
|----------------------------------|--------------------|--------------------------|
| Cash Credit                      | 5.51               | SMERA B+/Stable/Assigned |
| EPC<br>(Sublimit of cash credit) | (1.60)             | SMERA B+/Stable/Assigned |
| Term Loan I                      | 0.24               | SMERA B+/Stable/Assigned |
| Term Loan II                     | 0.21               | SMERA B+/Stable/Assigned |
| Term Loan III                    | 3.70               | SMERA B+/Stable/Assigned |
| CCF limit                        | 0.14               | SMERA A4/Assigned        |

SMERA has assigned a rating of '**SMERA B+**'(read as SMERA Single B plus) to Rs. 9.66 crore long term facilities (fund based) and '**SMERA A4**' (read as SMERA A four) to Rs. 0.14 crore short term facilities (non – fund based) of Texaco Synthetics Private Limited (TSPL). The outlook is '**Stable**'. The rating factors TSPL's relatively small scale of operations restricting financial flexibility, limited pricing flexibility owing to intense competition in the fragmented industry and limited product differentiation, stretched financial profile on account of leveraged capital structure, working capital intensive nature of business and low profitability.

The rating, however, derives comfort from the long track record and extensive experience of the promoters in the textile industry, favourable location of the weaving facilities and investment in technology up-gradation.

TSPL is a small player in the highly competitive and fragmented weaving industry with limited product differentiation and is exposed to volatile nature of raw material prices, which has led to limited price flexibility, lower profitability margins and stretched working capital limit utilization. The company has a below average financial risk position characterized by high gearing level of 3.74 times as on 31/Mar/2012 due to debt funded capex undertaken in FY 2012.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.sméra.in](http://www.sméra.in)) for the latest information on any instrument rated by SMERA.

The company benefits from promoter's rich experience and long standing presence in the textile weaving industry, thus enabling regular flow of orders from its customers.

### **Outlook (Stable)**

TSPL has 'Stable' outlook. SMERA believes the TSPL's long standing presence and experience of the promoter in the weaving industry will continue to benefit the company. However, the company's ability to enhance the scale of operation along with the improvement in the capital structure and effective working capital management are the key rating sensitivities.

### **About Texaco Synthetics Private Limited**

TSPL was incorporated in the year 1988 by Mr. Pradeep Agarwal & his family members. The day to day operations of the company are currently looked after by Mr. Pradeep Agarwal who has an experience of around 30 years in similar line of business.

The company is engaged in manufacturing of grey fabric and trading & exporting of finished cloth. TSPL manufactures grey fabric using the locally available cotton and synthetic yarn and mainly produces cotton fabric, poly viscose fabric, poly cotton fabric which is mainly used in the making of suiting and shirting.

TSPL has its sole manufacturing unit at Chhatral, Dist. Gandhinagar (Gujarat), where it has installed 20 weaving looms generating around 18.76 lakh metres of grey fabric per annum.

For FY 2012, TSPL reported a net profit of Rs. 0.45 crore on a total income Rs. 24.79 crore as against a net profit of Rs. 0.21 crore on a total income of Rs. 19.33 crore for FY 2011.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

**Contact List**

| <b>Media/Business Development</b>   | <b>Analytical Contacts</b>  | <b>Rating Desk</b>  |
|---|---|---|
| <p>Mr. Virendra Goyal,<br/>VP- Sales - SME<br/>Tel : +91- 22- 67141177<br/>Cell : +91 9930074009<br/>Email : <a href="mailto:virendra.goyal@smera.in">virendra.goyal@smera.in</a><br/>Web: <a href="http://www.smera.in">www.smera.in</a></p> | <p>Mr. Charu Dutt Sharma,<br/>VP – Operations – SME<br/>Tel: +91-22-67141130<br/>Cell: +91 9820751853<br/>Email: <a href="mailto:charu.sharma@smera.in">charu.sharma@smera.in</a></p> | <p>Tel: +91-22-67141128<br/>Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a></p> |

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.