

September 3, 2013

| Instrument | Amount (Rs. Crores) | Ratings |
|---|---------------------------|--------------------------|
| Overdraft against hypothecation (Packing Credit) (Foreign Currency Term Loan) | 10.00 (3.50) (3.00) | SMERA C/ Assigned |
| Cash Credit (Export Packing Credit) (Foreign Bill Discounting/Negotiation) | 10.00 (7.00) (3.00) | SMERA C/ Assigned |
| Term Loans | 8.04 | SMERA C/ Assigned |

SMERA has assigned a rating of '**SMERA C**' (read as **SMERA C**) to the Rs.28.04 crores long term facilities of Sangeeth Textiles Private Limited (STPL). The rating is mainly constrained by regular delays in repayment of the company's term loan obligation. The rating is also constrained by the company's weak financial profile marked by high leverage, stretched liquidity and net losses incurred in the past years. The rating is further constrained by power shortage issues in the state of Tamil Nadu and susceptibility of the company's profit margins to fluctuations in raw material prices. However, the rating derives support from the company's experienced management and long track record of operations in the textile industry.

STPL is involved in manufacturing cotton yarn. The company has an operational track record of around three decades in a highly competitive and fragmented textile industry with limited product differentiation. STPL is also involved in generation of power through its 14 windmills (with total generation capacity of 8.20 MWs) located in Nagercoil and Theni, Tamil Nadu.

STPL has delayed repayments of its term loan obligations during FY2007-08 to FY2011-12 (refers to financial year, April 01 to March 31). The company's repayment track record continued being irregular till FY2012-13. However, the repayments have been regularized over the past three months (April 2013 to June 2013).

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STPL has a weak financial risk profile characterized by high leverage at 1.73 times as on March 31, 2012. The liquidity position is stretched as evidenced in negative working capital in FY2011-12 and FY2010-11. Further, the company's business profile is vulnerable to fluctuations in raw material prices, which have led to losses in FY2011-12 and FY2008-09.

About the company

STPL was incorporated on March, 16 1981 as a public limited company and reconstituted as a private limited company in 2011. STPL's overall operations are managed by Mr. E. R. Elango and Mrs. E. Sarayana Devi, who have around ten years of experience in the textile industry.

STPL is involved in manufacturing cotton yarn (count range of 30s to 50s). The company has an annual installed capacity of 33,792 spindles and is also involved in generation of power through its 14 windmills (with total generation capacity of 8.20 MWs) located in Nagercoil and Theni, Tamil Nadu.

For FY2011-12, STPL reported net loss of Rs.4.65 crores on operating income of Rs.51.79 crores as compared with net profit of Rs.2.54 crores on operating income of Rs.67.94 crores for FY2010-11. As per provisional financials of FY2012-13, STPL has achieved net profit of Rs.2.49 crores on operating income of Rs. 81.08 crores.

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