

November 08, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit (Packing Credit)	10.00 (6.00)	SMERA C/Assigned
Term Loan	19.50	SMERA C/Assigned

SMERA has assigned a rating of '**SMERA C**' to the Rs.29.50 crore bank facilities of Shrini Softex India Limited (SSIL). The rating is constrained by the company's short track record and small scale of operations in a highly competitive and fragmented textile industry. The rating is also constrained by the company's high leverage, low net worth and susceptibility to raw material price volatility. However, the rating derives support from the company's experienced management.

SSIL is involved in manufacturing cotton yarn since March 2011. The company has a small scale of operations with revenues of Rs.42.82 crore in FY2012-13 (refers to financial year, April 01 to March 31). SSIL operates in a highly competitive and fragmented textile industry. The company is also involved in generation of wind power, which is used for captive consumption. SSIL has four windmills in Kanyakumari, Tamil Nadu. The company has wind power banking arrangement with the Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). SSIL reported PAT of Rs.0.23 crore on revenues of Rs.42.82 crore in FY2012-13 as compared with net loss of Rs.2.41 crore on revenues of Rs.14.54 crore in FY2011-12.

SSIL has a weak financial risk profile marked by high overall leverage at 23.35 times as on March 31, 2013 as compared with 33.50 times as on March 31, 2012. The company has a low net worth of Rs.1.45 crore as on March 31, 2013 as compared with Rs.0.67 crore a year earlier. SSIL's profit margins are susceptible to raw material price volatility.

About the company

SSIL was incorporated as a private limited company in 1992 and reconstituted as a public limited entity in 2005. SSIL commenced its operations in March 2011. Mr. K. Dinesh Prabhu (Managing Director of SSIL), Mr. E. R. Elango (Director of SSIL) and Mrs. D. Anandhi (Executive Director of SSIL), have around ten years of experience in the textile industry.

SSIL is involved in manufacturing cotton yarn (count range of 30s to 40s). The company has a factory unit in Coimbatore, Tamil Nadu with an installed capacity of 12,000 spindles per annum. SSIL also has four windmills in Kanyakumari, Tamil Nadu. The company uses wind power for captive consumption.

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For FY2012-13, SSIL reported net profit of Rs.0.23 crore on operating income of Rs.42.82 crore as compared with net loss of Rs.2.41 crore on operating income of Rs.14.54 crore for FY2011-12.

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