

July 17, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>14.00</b> (enhanced from Rs. 9.00 crore)	<b>SMERA BB-/Stable</b> (upgraded from SMERA B-/Stable)
<b>Term Loan I</b>	<b>1.62</b>	<b>SMERA BB-/Stable</b> (upgraded from SMERA B-/Stable)
<b>Term Loan II</b>	<b>0.95</b>	<b>SMERA BB-/Stable</b> (upgraded from SMERA B-/Stable)
<b>Term Loan III</b>	<b>1.14</b>	<b>SMERA BB-/Stable</b> (upgraded from SMERA B-/Stable)
<b>Term Loan IV</b>	<b>2.95</b>	<b>SMERA BB-/Stable</b> (upgraded from SMERA B-/Stable)
<b>Term Loan V</b>	<b>0.15</b>	<b>SMERA BB-/Stable</b> (upgraded from SMERA B-/Stable)
<b>Term Loan VI</b>	<b>4.00</b>	<b>SMERA BB-/Stable</b> (upgraded from SMERA B-/Stable)
<b>Term Loan VII</b>	<b>21.90</b>	<b>SMERA BB-/Stable (Assigned)</b>
<b>Term Loan VIII</b>	<b>4.10</b>	<b>SMERA BB-/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>5.00</b> (enhanced from Rs. 2.00 crore)	<b>SMERA A4 (Reaffirmed)</b>
<b>Bank Guarantee</b>	<b>0.50</b>	<b>SMERA A4 (Reaffirmed)</b>

SMERA has assigned rating of **SMERA BB- (read as SMERA double B minus)** to the Rs. 26.00 crore long term bank facilities of Santhi Processing Unit Private Limited (SPUPL). SMERA has also upgraded the rating on the Rs.24.81 crore long-term bank facilities of Santhi Processing Unit Private Limited (SPUPL) to '**SMERA BB-** (read as SMERA double B minus) from **SMERA B- (read as SMERA B minus)**'. The short-term rating is reaffirmed as '**SMERA A4**' (read as SMERA A four). The outlook is '**Stable**'. The upgrade reflects SPUPL's healthy revenue growth, comfortable operating margins and healthy financial profile. The rating continues to draw comfort from the company's experienced management. However, the ratings remain constrained by SPUPL's exposure to intense competition in the textile industry and exposure of profit margins to volatility in raw material prices. The rating also factors in the risks related to company's debt funded capex.

### Key Updates

SPUPL is in the process of making additions to plant and machinery through a term loan of Rs.26.00 crore and equity infusion of Rs.6.00 crore. The company booked revenue of Rs.84.36 crore in FY2014 as compared to Rs.69.72 crore in FY2013. The operating margin remained comfortable at 11.46 per cent in FY2013-14 as compared to 11.13 per cent in FY2013. SPUPL's healthy financial risk profile is evident

from the gearing of 1.58 times as on March 2014 (1.64 times as on March 2013) and interest coverage ratio of 2.49 times in FY2014 (2.84 times as on March 2013).

The company continues to benefit from its experienced management. Mr. S. Duraiswamy, Director has three decades of experience in the company's line of business. However, the company continues to face intense competition in the textile industry and the profit margins of the company are exposed to volatility in raw material prices.

### Outlook: Stable

SMERA believes that the company would continue to benefit from the company's experienced management and scalability of operations. The outlook maybe revised to 'Positive' in case the company registers strong revenue growth while achieving sustained improvement in profit margins and effective working capital management with successful project implementation. The outlook maybe revised to 'Negative' in case of decline in company's revenues and profit margins or in case of stretched working capital cycle due to delays in project implementation leading to time and cost overruns.

### About the Company

SPUPL, started off as a proprietorship firm in the name of Santhi Textiles and later in 2000 became a private limited company. Headed by Mr Duraiswamy, the company is engaged in the manufacture and export of cotton fabrics and has two factories at Erode, Tamil Nadu.

SPUPL reported PAT (profit after tax) of Rs.3.19 crore on operating income of Rs.84.36 crore for FY2013-14 as compared with PAT of Rs.2.46 crore on operating income of Rs.69.72 crore in FY2012-13. The company's net worth stands at Rs.14.25 crore as on March 2014 as against Rs.11.06 crore in the previous year.

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