

March 14, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	5.00	SMERA B-/Stable (Assigned)
Export Packaging Credit	3.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (**read as SMERA single B minus**) and '**SMERA A4**' (**read as SMERA A four**) to the above-mentioned bank facilities of Swan Silk Private Limited (SSPL). The outlook is '**Stable**'. The ratings are constrained by the company's modest scale of operations and weak profitability amidst intense competition prevalent in the textile industry. The ratings are also constrained by the company's exposure to foreign exchange fluctuation risk. However, the ratings are supported by the company's long track record of operations and experienced management.

SSPL, incorporated in 1986, is a Bangalore-based company engaged in manufacturing and export of silk fabrics and furnishing. SSPL has moderate-scale operations, as reflected in revenues of Rs.26.10 crore in FY2012–13 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.38 per cent in FY2012–13. Moreover, SSPL incurred net loss of Rs.1.33 crore and Rs.3.61 crore in FY2011–12 and FY2010–11, respectively. The company faces intense competition from several players in the textile industry. SSPL derives ~100 per cent of its total revenues from exports. The company does not hedge its forex exposure and is thus susceptible to unfavourable changes in foreign exchange rates.

SSPL benefits from its experienced management. Mr. Govinda K. S., director of SSPL, has around three decades of experience in the textile industry.

Outlook: Stable

SMERA believes SSPL will maintain a stable business risk profile over the medium term on the back of its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial profile.

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About the company

SSPL, incorporated in 1986, is a Bangalore-based company promoted by Mr. Govinda K. S. SSPL is engaged in manufacturing and export of silk fabrics and furnishing. The company has six manufacturing units (located in and around Bangalore, Karnataka).

For FY2012-13, SSPL reported net profit of Rs.0.38 crore on operating income of Rs.27.57 crore, as compared with net loss of Rs.1.33 crore on operating income of Rs.23.25 crore for FY2011-12. SSPL's net worth stood at Rs.23.31 crore as on March 31, 2013, as compared with Rs.23.19 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head – Sales, Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91 98336 51336 Email: umesh.nihalani@smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@smera.in

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