

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.

***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) for the latest information on any instrument rated by SMERA.*

**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.

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