

**February 01, 2016**

| Facilities                   | Amount<br>(Rs. Crore) | Ratings                     |
|------------------------------|-----------------------|-----------------------------|
| Term Loan                    | 5.00                  | SMERA B/Stable (Reaffirmed) |
| Fund Based Limits (Proposed) | 2.00                  | SMERA B/Stable (Assigned)   |
| Export Packing Credit        | 3.00                  | SMERA A4 (Reaffirmed)       |

SMERA has reaffirmed the long term rating of **SMERA B (read as SMERA B)** and short term rating of **SMERA A4 (read as SMERA A four)** on the Rs.8.00 crore bank facilities of Swan Silk Private Limited (SSPL). SMERA has also assigned long term rating of **SMERA B (read as SMERA B)** on the Rs.2.00 crore bank facility. The outlook is '**Stable**'. The ratings remain constrained by SSPL's modest scale of operations, net loss and exposure to forex fluctuation risk. However, the ratings continue to draw comfort from the company's established operational track record, experienced management and potential benefits in the business venture of leasing out commercial space.

### Update

SSPL reported operating revenue of Rs.30.52 crore in FY2014-15 as compared to Rs.27.55 crore in the previous year. The company incurred net loss of Rs.2.55 crore in FY2014-15 as against PAT of Rs.0.09 crore in the previous year. SSPL's debt equity remains comfortable at 0.93 times as on March 2015. However, interest coverage ratio remains low at 0.30 times during the said period.

SSPL continues to benefit from its experienced management. Mr. Govinda K.S., Director has around three decades of experience in the textile industry.

### Outlook: Stable

SMERA believes that the outlook of SSPL would remain stable on account of its experienced management, long operational track record and revenue from lease rentals. The outlook may be revised to 'Positive' in case of improvement in revenue and margins from the diversified business profile. Conversely, the outlook may be revised to 'Negative' if the company reports further stretch in profit margins and delays in rent receivables.

### Rating Sensitivity Factors

- Healthy profitability
- Effective working capital management
- Future capex plans and its funding

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**About the Company**

SSPL, incorporated in 1986, is a Bangalore-based company engaged in the manufacturing and export of silk fabrics and furnishing. The company has six manufacturing units in and around Bangalore, Karnataka. Besides, the company has also ventured into leasing of commercial space since February 2015.

For FY2014-15, SSPL reported net loss of Rs.2.55 crore on operating revenue of Rs.30.52 crore, as compared with PAT of Rs.0.09 crore on operating revenue of Rs.27.55 crore in FY2013-14.

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