

February 01, 2016

Facilities	Amount (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

**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](http://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 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.

### Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Cell: +91-98208 02479 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

**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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.