Rating Rationale

Sri Saravana Tex Exports India Pvt.Ltd.

25th April 2017

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Sri Saravana Tex Exports India Pvt.Ltd (SSTEIPL)

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based Cash Credit Term Loan	 21.00 5.00	 21.00 3.01	Long Term	**BWR B+ Outlook: Stable (Pronounced BWR B plus)**	**BWR B+ Outlook: Stable (Pronounced BWR B plus)**
Fund Based EPC(Sub limit of CC) FBD	 (7.00) 1.00	 (7.00) -	Short Term	**BWR A4 (Pronounced BWR A four)**	**BWR A4 (Pronounced BWR A four)**
Non-Fund Based Bank Guarantee Stand by LC	 0.32 1.00	 0.32 1.00			
Total	**28.32**	**Rs.25.33 Crores (Rupees Twenty Five Crores and Thirty Three Lakhs Only)**			

^Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16 of SSTEIPL, Projected financial of FY17 & FY18 and publicly available information and information/clarifications provided by the company.

The rating has factored, interalia, promoters' vast experience in textile sector, established clientele, long track record of operations and moderate revenues. The rating is constrained by moderate scale of operations and thin profitability margins, high gearing, stretched liquidity position, intense competition from various players in the vicinity and company being exposed to foreign exchange fluctuation risk due to exports. Going forward, the ability of the Company to increase its scale of operations, profitability margins and manage the volatility in raw material prices and working capital efficiently would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes that 'Sri Saravana Tex Exports India Pvt.Ltd' business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Sri Saravana Tex Exports India Private Limited (SSTEIPL), incorporated in the year 2005 based at Rajapalayam (Tamil Nadu), is engaged in the manufacturing and export of cotton yarn and cotton grey cloth. The company procures the cotton from the local suppliers and converts the cotton into yarn. Major portion of yarn is utilized by the company in manufacturing grey cloth. SSTEIPL currently operating with an installed capacity of 31,152 spindles and 302 power-looms, the Company produces yarn in the range of 20s to 60s counts.

SSTEIPL exports major portion of yarn production to China and the entire production of grey cloth to European countries such as Germany, France and Spain.

The Company has 2 units located at Thottaipatti and Rajapalyam for weaving and spinning. The Manufacturing units are certified under ISO 9001:2008.

Company Financial Performance

SSTEIPL has reported a profit after tax (PAT) of ₹0.15crs. on sales revenue of ₹68.46crs. for FY16 as against profit after tax (PAT) of ₹0.08crs. on sales revenue of ₹71.39crs. for FY15. The company's net worth as on 31.3.16 was Rs.6.83 Cr.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs.Crs)	Rating	4/4/2016	2015	May 2014
1	Cash credit	Long Term	11.00	**BWR B+ (Outlook: Stable)**	**BWR B+ (Outlook: Stable)**	**NIL**	**NIL**
2	Term Loan		3.01	**BWR A4**	**BWR A4**		
3	EPC(Sub limit of CC)	Short Term	(7.00)				
4	Bank Guarantee		0.32				
5	Stand by LC		1.00				

Status of non-cooperation with previous CRA (if applicable) –Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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