

January 06, 2015

## CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF SAFFRON MET YARNS LIMITED

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	6.90 (reduced from 7.67)	<b>CARE BB- (Double B Minus)</b>	Revised from CARE BB (Double B)

**Rating Rationale**

The revision in the rating assigned to the bank facilities of Saffron Met Yarns Ltd. (SMYL) is primarily due to deterioration in financial risk profile marked by decline in profit margins and cash accruals coupled with deterioration in capital structure, debt coverage indicators and liquidity position during FY14 (refers to the period April 1 to March 31). The rating continues to remain constrained on account of labor intensive nature of operations coupled with presence in competitive industry and susceptibility of profit margins to raw material price fluctuations.

The rating, however, continues to derive comfort from the experience of the promoters in the textiles industry and location advantage in terms of presence in textile hub resulting in lower logistic cost. The rating also takes into consideration marginal growth in total operating income (TOI) during FY14.

The ability of SMYL to increase its scale of operations and improvement in profit margins and capital structure while managing its working capital requirement efficiently are the key rating sensitivities.

**Background**

SMYL was incorporated in September 2009 as SMYPL by Mr Brijendra Kishanlal Chopra and Mrs Surinderkaur Chopra. Subsequently, during December 2010, the company got converted into public limited company and resumed its current name. SMYL is engaged in manufacturing of Jari Kasab which finds its application in handicrafts and fashion segment. The major end uses of the zari thread manufactured in Surat include sarees (as a weaving thread for the world famous Banarasi and Kanjeevaram sarees), dress material, and upholstery made ups; for craft- laces and borders, embroidery, rakhi, bangles, badges and gift articles. SMYL operates from its ISO 9001:2008 manufacturing facility located at Surat (Gujarat) with an installed capacity to manufacture 1,650 tonnes per annum of zari on March 31, 2014. SMYL sells Jari in the brand names of "Saffron". SMYL has an associate concern named Saffron Poly Threads Private Limited (rated 'NSIC-CARE SE 2B' during March 2014) which is engaged in the business of manufacturing of embroidery threads and Saffron Jari Industries Pvt. Ltd. (manufacturing of coating material for Jari).

During FY14, SMYL reported a TOI of Rs.36.14 crore and PAT of Rs.0.22 crore as against TOI of Rs.33.35 crore and PAT of Rs.0.34 crore during FY13.

During 8MFY15, SMYL has achieved a turnover of Rs.20 crore.

**Analyst Contact**

Name: Mr Nitin Jha

Tel: 079-40265656

Email: [nitin.jha@careratings.com](mailto:nitin.jha@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

## CONTACT

### Head Office Mumbai

**Mr. D.R. Dogra**

Managing Director  
 Mobile: +91-98204 16002  
 E-mail: dr.dogra@careratings.com

**Ms. Meenal Sikchi**

Vice President - Bank Loan & Instrument Rating  
 Mobile: +91-9819009839  
 E-mail: meenal.sikchi@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director  
 Mobile: +91-98204 16001  
 E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Vice President - Bank Loan & Financial Services  
 Mobile: +91-9819698985  
 E-mail: ankur.sachdeva@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

*Other Office:*

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069  
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

**AHMEDABAD**
**Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015  
 Cell: +91-98242 56265  
 Tel: +91-79-4026 5656  
 E-mail: mehul.pandya@careratings.com

**BENGALURU**
**Mr. Dinesh Sharma**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91-99000 41975  
 Tel: +91-80-4115 0445, 4165 4529  
 E-mail: dinesh.sharma@careratings.com

**CHANDIGARH**
**Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,  
 Chandigarh - 160 022.  
 Cell: +91 99888 05650  
 Tel: +91-172-5171 100 / 09  
 Email: sajan.goyal@careratings.com

**CHENNAI**
**Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,  
 No. 769, Anna Salai, Chennai - 600 002.  
 Cell: +91 98407 54521  
 Tel: +91-44-2849 7812 / 0811  
 Email: pradeep.kumar@careratings.com

**HYDERABAD**
**Mr. Saikat Roy**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.  
 Tel: +91-40-4010 2030  
 E-mail: saikat.roy@careratings.com

**JAIPUR**
**Mr. Harsh Raj Sankhla**

304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 93149 21496  
 Tel: +91-141-402 0213 / 14  
 E-mail: harshraj.sankhla@careratings.com

**KOLKATA**
**Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
 10A, Shakespeare Sarani, Kolkata - 700 071.  
 Cell: +91-98319 67110  
 Tel: +91-33- 4018 1600  
 E-mail: priti.agarwal@careratings.com

**NEW DELHI**
**Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,  
 Jhandewalan Extension, New Delhi - 110 055.  
 Cell: +91-98117 45677  
 Tel: +91-11-4533 3200  
 E-mail: swati.agrawal@careratings.com

**PUNE**
**Mr. Rahul Patni**

9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-78754 33355  
 Tel: +91-20- 4000 9000  
 E-mail: rahul.patni@careratings.com

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