

December 11, 2013

**CARE ASSIGNS 'CARE BB' RATING TO THE BANK FACILITIES OF
SAFFRON MET YARNS LIMITED**

Rating

Facilities	Amount (Rs. Crore)	Rating ¹	Remarks
Long-term Bank Facilities	7.67	CARE BB (Double B)	Assigned

Rating Rationale

The rating assigned to the bank facilities of Saffron Met Yarns Limited (SMYL) is constrained on account of the fluctuating and moderate profitability, moderate capital structure and debt coverage indicators. The rating is also constrained by the modest scale of operations in a highly fragmented industry with limited value addition and susceptibility of margins due to volatility in raw material prices coupled with labour intensive nature of operations with lack of technology up-gradation and backward integration.

However, the rating factors in the benefits derived from the promoters' long experience in the textile industry and locational advantage in terms of presence in a textile hub resulting in lower logistic cost.

The ability of SMYL to integrate backward in the Jari industry and diversify its product offering through innovation in Jari manufacturing, thereby increasing its scale of operations as well as improvement in profit margins and capital structure are the key rating sensitivities.

Background

SMYL was incorporated in September 2009 as Saffron Met Yarns Pvt Ltd (SMYL) by Mr Brijendra Kishanlal Chopra and Ms Surinderkaur Chopra. Subsequently, during December 2010, the company got converted into a public limited company and resumed its current name. SMYL is engaged in the manufacturing of Jari Kasab which finds its application in the handicrafts and fashion segment. The major end uses of the Jari 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 1,400 tonnes per annum of Jari on March 31, 2013. SMYL sells Jari in the brand names of "Saffron". SMYL has an associate concern named Saffron Poly Threads Private Limited which is engaged in the business of manufacturing yarns.

As against a net profit of Rs.0.56 crore on a total operating income of Rs.31.14 crore in FY12 (refers to the period April 1 to March 31), SMYL reported a net profit of Rs.0.34 crore on a total operating income of Rs.33.35 crore during FY13.

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¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Brief Rationale

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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