

MARCH 09, 2016

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

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|---------------------------|--|--------------------------------------|------------|
| Long-term Bank Facilities | 6.50 | CARE BB- (Double B Minus) | Reaffirmed |
| Total | 6.50 (Rupees Six crore and Fifty lakh only) | | |

Rating Rationale

The rating assigned to the bank facilities of Saffron Met Yarns Limited (SMYL) continues to remain constrained on account of the marginal decline in the total operating income during FY15 (refers to the period April 1 to March 31) coupled with leveraged capital structure despite some improvement in FY15, moderate debt coverage indicators and elongated working capital cycle. The rating is further constrained on account of lobar 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 textile industry and location advantage in terms of presence in textile hub resulting in lower logistic cost.

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 Saffron Met Yarns Pvt. Ltd. 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 the 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, 2015. SMYL sells Jari in the brand names of "Saffron".

During FY15 (A), SMYL reported a TOI of Rs.33.61 crore and PAT of Rs.0.22 crore as against TOI of Rs.36.14 crore and PAT of Rs.0.22 crore during FY15 (A). During 11MFY16 (Provisional), SMYL achieved TOI of around Rs.34.69 crore.

Analyst Contact

Name: Mr. Vishal Joshi

Tel: (079) 40265613

Cell: + 91 8511190082

Email: vishal.joshi@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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. Sanjay Kumar Agarwal

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@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

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. Deepak Prajapati

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

 E-mail: deepak.prajapati@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

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR

Mr. Nikhil Soni

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

 E-mail: nikhil.soni@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

CIN - L67190MH1993PLC071691