APRIL 08, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SANATHAN TEXTILES PVT. LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	204.13	**CARE BBB- [Triple B Minus]**	Reaffirmed
Short-term Bank Facilities	20.00	**CARE A3 [A Three]**	Reaffirmed
Total Facilities	**224.13**		

Rating Rationale

The ratings assigned to the bank facilities of Sanathan Textiles Private Limited (STPL) continue to derive strength from the experience of the promoters in the textile business, substantial increase in the scale of operations post completion of capacity expansion projects and partial integrated nature of the operations.

The ratings are, however, constrained by deterioration in financial risk profile on account of substantial increase in debt level in the past two years and declining profitability margins. The ratings are also constrained by susceptibility of profitability to adverse movement in raw material prices, foreign exchange fluctuation risk and intense competition from large number of organized and unorganized players in the sector.

Going forward, the ability of the company to improve profitability margin, improve the capital structure and manage the working capital requirement efficiently would remain the key rating sensitivities.

Background

STPL was incorporated in 2005, taking over the business of partnership firm M/s. Sanathan Texturisers which was established in 2002. It is promoted by the Dattani family and is primarily engaged in the manufacturing of Polyester Texturised Yarn (PTY), Partially Oriented Yarn (POY), Fully Drawn Yarn (FDY), Polyester (PET) chips and Cotton yarn. The manufacturing facility is located at Surangi, Silvassa and Dadra & Nagar Haveli.

Over the years, with continuous expansion, STPL has expanded the installed capacity. As on March 31, 2014, has installed capacity of 86,400 tonnes per annum (tpa) of POY (increased from 28,000 tpa); 37,150 tpa of FDY (increased from 11,600 tpa); 76,800 tpa of PTY (increased from 33,000 tpa) and 4,800 tpa of cotton yarn spinning (33,120 spindles). In FY13 (refers to the period April 1 to March 31), STPL also forayed into backward integration by setting up continuous poly condensation plant (CP plant) for manufacturing of PET chips having a total capacity of 450 MT per day. CP plant was commissioned in June 2013 while capacity expansion in POY, FDY and PTY facilities commissioned during FY14 in a phased manner.

STPL reported a profit after tax of Rs.13.56 crore on total income of Rs.1631.37 crore in FY14as against profit after tax of Rs.36 crore on total income of Rs.618.49 crore in FY13. As per the unaudited results for H1FY15, STPL reported a profit after tax of Rs.3.39 crore on total income of Rs.867.59 crore.

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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

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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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.

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