

FEBRUARY 24, 2016

## CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF SANTARAM SPINNERS LIMITED

### Ratings

| Facilities                           | Amount (Rs. crore)                                           | Ratings <sup>1</sup>                                | Remarks    |
|--------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|------------|
| Long term Bank Facilities            | 2.80<br>(reduced from<br>Rs.2.90 crore)                      | <b>CARE B+<br/>[Single B Plus]</b>                  | Reaffirmed |
| Long-term/Short-term Bank Facilities | 8                                                            | <b>CARE B+/CARE A4<br/>[Single B Plus]/[A Four]</b> | Reaffirmed |
| <b>Total Facilities</b>              | <b>10.80<br/>(Rupees Ten Crore<br/>and Eighty lakh only)</b> |                                                     |            |

### Rating Rationale

The ratings assigned to the bank facilities of Santaram Spinners Limited (SSL) continue to remain constrained on account of its thin profitability due to limited value addition in the cotton ginning business, weak debt protection indicators and leveraged capital structure. The ratings are further constrained by the working capital intensive operations and susceptibility of its operating margin to volatile cotton prices and seasonality associated with the availability of cotton coupled with impact of changes in government policy on cotton.

The ratings, however, favorably takes into consideration the vast experience of the promoters in the cotton ginning business, its strategic location within the cotton producing region of Gujarat and reputed clientele of SSL.

SSL's ability to increase its scale of operations while efficiently managing its working capital requirements along with the improvement in the profitability would be the key rating sensitivities.

### Background

SSL was incorporated in September 1983, as a private limited company and subsequently got converted into a public limited company in December 1994. SSL is engaged in cotton ginning and pressing with an installed capacity of 300 Metric Tons per Day (MTPD) along with the trading of kapas, ginned cotton and cotton seeds. SSL has also set up an oil mill with 11 oil expellers having an installed capacity of 10 MTPD for manufacturing raw oil and de-oiled cakes. The manufacturing facilities of the company are located at Kadi, Gujarat. SSL has also commissioned wind turbine generator of 0.80 MW at Jamnagar.

Based on FY15 audited results, (refers to the period April 1 to March 31), SSL reported a Total Operating Income (TOI) of Rs.173.96 crore (P.Y.: Rs.80.71 crore) and profit after tax (PAT) of Rs.0.21 crore (P.Y.: net loss of Rs.0.01 crore). Based on 9MFY16 provisional results, (refers to the period April 1 to December 31), SSL reported TOI of Rs.125.33 crore (P.Y.: Rs.119.22 crore) and PAT of Rs.0.07 crore (P.Y.:Rs.0.70 crore).

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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.

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