

DECEMBER 15, 2014

CARE ASSIGNS 'CARE BB-/ CARE A4' RATINGS TO THE BANK FACILITIES OF SHREE HARI SPINTEX LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	21.89	CARE BB- (Double B Minus)	Assigned
Short term Bank Facilities	2	CARE A4 (A Four)	Assigned
Total Facilities	23.89		

Rating Rationale

The ratings assigned to the bank facilities of Shree Hari Spintex Ltd. (SHSL) are primarily constrained by its weak financial risk profile marked by low net profit margins, weak solvency position as on March 31, 2014 (refers to the period April 01 to March 31), working capital-intensive nature of operations and client concentration risk. The ratings, however, derive strength from the past experience of the promoters, steady growth in the scale of operations and moderate operating profit margins. The ability of the company to profitably scale up its operations with an improvement in the capital structure and effective management of working capital shall be the key rating sensitivities.

Background

Shree Hari Spintex Limited (SHSL) is promoted by Mr Rakesh Kumar and is engaged in the production of cotton yarn at its manufacturing facility located at Maur Mandi, Distt. Bathinda, Punjab. The products manufactured by the company find its application in manufacturing of knitted clothes. The company has an installed capacity of 3240 MTPA as on March 31, 2014 for the manufacturing of cotton yarn for counts ranging from 16s to 34s.

Shree Hari Spintex Ltd. registered a total operating income of Rs.77.79 crore during FY14 with a PAT of Rs.0.71 crore as against a total operating income of Rs.71.75 crore with PAT of Rs.0.48 crore in FY13.

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****For detailed Rationale 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.

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

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