

AUGUST 25, 2015

**CARE ASSIGNS 'CARE BB+' AND 'CARE A4+' RATINGS TO THE BANK FACILITIES OF
SURBHI INDUSTRIES LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long term Bank Facilities	16.87	CARE BB+ (Double B Plus)	Assigned
Short term Bank Facilities	3.00	CARE A4+ (A Four Plus)	Assigned
Total Facilities	19.87 (Rupees Nineteen crore and Eighty-Seven lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Surbhi Industries Ltd (SIL) are primarily constrained by its small scale of operations in the highly fragmented and competitive synthetic textile processing industry along with moderate leverage due to continuous debt funded capex. The ratings are further constrained on account of SIL's working capital intensive nature of operations and susceptibility of its profitability to fluctuations in crude derivative raw material prices and foreign exchange rate fluctuations.

The ratings, however, favorably takes into account wide experience of the promoters, SIL's long and established track record of operations along with operational synergies with the group and healthy operating profitability margin supported by diversified revenue stream and locational advantage.

The ability of SIL to grow its scale of operations and maintain healthy profitability amidst raw material price fluctuations, effective management of working capital along with improvement in capital structure are the key rating sensitivities. Further, realizing envisaged benefits from recently completed capex and future capex programs and its funding profile would also be crucial.

Background

Incorporated in 1992, Surat based SIL is promoted by Mr Ravjibhai Patel and his family members. SIL is engaged into manufacturing of synthetic warp-knitted fabrics, texturized yarn, twisted filament and crepe yarns and trading of grey fabric. The company also processes yarn on job-work basis for local players. SIL is a part of the Surat based 'Surbhi' group of companies which are engaged in similar line of business activities.

The manufacturing facility of SIL is located at GIDC Kim, Surat. As on March 31, 2014, SIL had 9 twisting machines for twisted yarn, 14 knitting machines and 6 warp machines.

During FY14 (A; refers to the period April 1 to March 31), SIL reported a total operating income of Rs.36.71 crore (FY13: Rs.25.24 crore) and PAT of Rs.1.50 crore (FY13: Rs.0.54 crore). Further, for the nine months ending December 31, 2014, SIL reported a total operating income of Rs.30.95 crore and PAT of Rs.1.82 crore.

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

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

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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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