

## SRV Synthetics

	Amount	Rating Action
	In Rs. Crore	
Long term- cash credit	12.48	[ICRA]BBB+(Stable); reaffirmed
Long term –term loans	14.25	[ICRA]BBB+(Stable); reaffirmed
Short term-non-fund based bank facilities	1.00	[ICRA]A2+; reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BBB+ (pronounced ICRA triple B plus)<sup>1</sup> to the Rs 26.73 crore<sup>2</sup> fund based bank facilities of SRV Synthetics. The outlook on the long-term rating is 'Stable'. ICRA has also reaffirmed the short term rating of [ICRA]A2+ (pronounced ICRA A two plus) to the Rs 1.00 crore non-fund based bank facilities of SRV Synthetics.

In arriving at the ratings, ICRA has taken a consolidated view of SRV Group entities, namely, M/s. SRV Synthetics, SRV Polytex Private Limited and M/s. Suraj Industries, given their strong operational and financial linkages, presence in similar business as well as common management control.

The ratings re-affirmation continues to factor in the long standing experience of the promoters of the group in the textile industry as well as its established and diversified customer base. The ratings also derive comfort from the steady improvement in accruals of the group over the last three years, aided by healthy volume offtake of its recently introduced spandex yarn. This coupled with group's effective management of working capital cycle have further limited its dependence on external borrowings to fund growth, thereby resulting in continued comfortable financial profile as evident by favourable capital structure and satisfactory debt metrics.

The ratings however remain constrained by the limited bargaining power of the group and the resultant susceptibility of its revenues and profitability to volatility in raw material costs, chiefly POY, a crude oil derivative. This was witnessed in 10M FY2016 when the gross sales of the group declined owing to pressure on realizations due to decline in prices of crude oil. The commoditized nature of the product as well as the competitive nature of the industry further adds to profitability pressures. The ratings also continue to remain constrained by the risks associated with partnership constitution of two of the entities in SRV group such as capital withdrawals, insolvency and death of partners.

### Entity Profile

SRV Synthetics is involved in the business of manufacturing Texturised yarn. The manufacturing facility of the firm is located at Silvassa in the U.T of Dadra & Nagar Haveli. SRV Synthetics is part of the SRV group, which includes three entities, namely M/s. SRV Synthetics, SRV Polytex Private Limited<sup>3</sup> and M/s. Suraj Industries (rated [ICRA]BBB+(Stable), A2+ (March 2016)). The group manufactures texturised yarn in deniers ranging between 80 and 600, with the denier mix being determined by profitability available for the respective deniers.

### Recent Results

At a consolidated level, SRV group reported a net profit of Rs 3.70 crore on operating income of Rs 466.52 crore in FY2015 as against a net profit of Rs 2.64 crore on operating income of Rs 429.97 crore in FY2014. As per the provisional estimates for ten months ended January 31, 2016, the group reported a net profit of Rs 4.23 crore on operating income of 353.15 crore.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

<sup>2</sup> 100 lakh = 1 crore = 10 million

<sup>3</sup> The rating of SRV Polytex Private Limited was withdrawn in March 2013 with the bank facilities being repaid by the entity.



At a standalone level, SRV Synthetics reported a net profit of Rs 2.08 crore on operating income of Rs 187.61 crore in FY2015 as against a net profit of Rs 1.20 crore on operating income of Rs 144.06 crore in FY2014. As per the provisional estimates for ten months ended January 31, 2016, the firm reported a net profit of Rs 2.37 crore on operating income of 156.41 crore.

**March 2016**

*For further details, please contact:*

Analyst Contacts:

**Mr. Subrata Ray** (Tel. No. +91 22 6114 3408)  
subrata@icraindia.com

Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**Mobile: **9871221122**Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**Mobile: **9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500