
October 4, 2010

CARE ASSIGNS 'CARE BBB+' AND 'PR2' RATINGS TO THE BANK FACILITIES OF SANATHAN TEXTILES PVT LTD.

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	124.43	'CARE BBB+' (Triple B Plus)	Assigned
Short-term Bank Facilities	25.00	'PR2' (PR Two)	Assigned
Total Facilities	149.43		

Rating Rationale

The ratings derive strength from experienced promoters, locational advantage in terms of proximity to raw material supply sources and target market, comfortable interest coverage, short working capital cycle and diversified product profile. The ratings further derive strength from STPL's growing focus on value-added yarn segment coupled with growth in operations.

The ratings are however constrained by decline in profitability margins (FY07-FY09), high gearing levels, limited presence in the textile value chain along with highly competitive and fragmented nature of industry leading to low pricing power.

Ability of STPL to maintain profitability margins in an environment characterized by high volatility in raw material prices and aggressive competition from other domestic players remain key rating sensitivities.

Company Profile

Incorporated in 2005, Sanathan Textiles Private Limited (STPL) is engaged in manufacture of Polyester Oriented Yarn (POY), texturised yarns and cotton yarn. The manufacturing facility is located at Surangi, Silvassa.

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

On total operating income of Rs.263.28 crore in FY09, the company reported PAT of Rs.10.48 crore. During FY10 (Provisional), STPL reported PAT of Rs.15.83 crore on total operating income of Rs.318.67 crore.

Analyst Contact

Name: Pulkit Agarwal

Tel # 67543505

Mobile # 9819074189

Email: pulkit.agarwal@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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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>