

October 12, 2010

CARE ASSIGNS 'CARE D' AND 'PR5' RATING TO THE BANK FACILITIES OF SOMA TEXTILES & INDUSTRIES LTD.

Ratings Assigned

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	198.46	'CARE D' (Single D)	Assigned
Short-term Bank Facilities	24.75	'PR5' (PR Five)	Assigned
Total Facilities	223.21		

Rating Rationale

The ratings factor in STIL's default in repayment its debt servicing obligations including instances of overdrawings in cash credit account and weakened financial risk profile as reflected by the heavy losses incurred in FY09 and 9MFY10, significant erosion in networth, high gearing and poor debt protection indicators.

Company Profile

STIL is engaged in STIL is into manufacturing of fabric (*denim & non-denim*), yarn (*cotton and synthetic*) and readymade garments (RMG).

On the back of weak industry scenario, which led to heavy operating losses in FY08 and FY09 coupled with operating losses of its trading subsidiary in FY09, STIL faced severe liquidity crisis. This led to STIL defaulting in repayment of its principal and interest obligations to banks/financial institutions. Considering the financial difficulties faced by the company, it approached the CDR Cell which sanctioned a comprehensive debt restructuring scheme in February 2009.

During FY09, STIL registered total income of Rs.317.49 crore with net loss of Rs.66.32 crore as compared to total income of Rs.445.98 crore with PAT of Rs.73 crore in FY08. During 9MFY10, STIL registered total income of Rs.168.91 crore with net loss of Rs.21.23 crore.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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

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