



SMERA RATINGS LIMITED

Nancy Krafts (NK)

Rating
RationaleSeptember 01, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	1.75	SMERA BB-/Stable (Assigned)
Export Packing Credit*	1.75	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	1.90	SMERA BB-/Stable (Assigned)
Letter of Credit^	0.60	SMERA A4 (Assigned)
Bank Guarantee^	0.50	SMERA A4 (Assigned)
Standby limit	0.50	SMERA A4 (Assigned)

*Fully interchangeable

^Fully interchangeable

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs. 5.40 crore long-term (fund based) bank facilities and '**SMERA A4**' (read as **SMERA single A four**) to the Rs.1.60 crore short-term (non-fund based) bank facilities of Nancy Krafts. The outlook is '**Stable**'. For arriving at the ratings, SMERA has combined the business and financial risk profiles of Nancy Krafts Private Limited (NKPL) and Nancy Krafts (NK), together referred to as the 'Nancy Group'. The consolidation is in view of the common ownership and similar business models of the entities.

The ratings are supported by the group's long track record of operations and experienced management. The ratings are further supported by the group's moderate financial risk profile. However, the ratings are constrained by group's weak liquidity position and working capital-intensive operations. The ratings are also constrained by the group's exposure to intense competition in the readymade garments industry.

Nancy Group, established in 1973, is a Delhi-based group engaged in manufacturing of readymade garments for women and children. Nancy Group benefits from its experienced management. Mr. Narender Pal Singh, promoter of the Nancy Group, has around four decades of experience in the readymade garments industry. The group's moderate financial risk profile is reflected in leverage of 0.66 times as on March 31, 2013 and interest coverage ratio of 1.72 times in FY2012-13 (refers to financial year, April 01 to March 31). Nancy Group reported low net profit margin of 0.87 per cent in FY2012-13. The group's weak liquidity position is marked by full utilisation of working capital limits during January 2014 to July 2014. Nancy Group's collection period is stretched at 223 days in FY2012-13 (refers to financial year, April 01 to March 31). The group has an extended working capital cycle of 155 days in FY2012-13.

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**Outlook: Stable**

SMERA believes Nancy Group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers sustained improvement in profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's profit margins, or in case of deterioration in the group's liquidity position and working capital management.

About the group

Nancy Group, established in 1973, is a Delhi-based group engaged in manufacturing of readymade garments for women and children. Nancy Group comprises two entities viz. NK and NKPL. The group has installed manufacturing capacity of 24,000 pieces per day.

For FY2012-13, Nancy Group reported net profit after tax of Rs.0.87 crore on total income of Rs.80.42 crore, as compared with net profit after tax of Rs.0.64 crore on total income of Rs.80.73 crore in FY2011-12. The group registered revenue of Rs.84.04 crore (provisional) during April 2013 to March 2014. Nancy Group's net worth stood at Rs.38.84 crore as on March 31, 2013, as compared with Rs.38.16 crore a year earlier.

About the firm

NK, established in 1973, is a partnership firm managed by Mr. Narender Pal Singh. NK is a part of the Nancy Group. The firm is engaged in manufacturing of readymade garments for women and children.

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