



SMERA RATINGS LIMITED

Laguna Clothing Private Limited (LCPL)

Rating Rationale

August 26, 2015

Facilities	Amount (Rs. Crore)	Rating
PC/PCFC/FDB/FBE/BRD	25.00*	SMERA A2+ (Reaffirmed)
PCFC	10.00#	SMERA A2+ (Reaffirmed)
ILC/FLC	8.00	SMERA A2+ (Reaffirmed)
Bank Guarantee	1.00	SMERA A2+ (Reaffirmed)
Forward Purchase Contract	1.60	SMERA A2+ (Reaffirmed)

*Includes sublimit of PC/PCFC to the extent of Rs. 15.00 crore.

#Fully interchangeable with export facility for purchase/negotiation of document against payment, export facility for purchase/negotiation of document against acceptance, pre-shipment loan against export, import documentary credit and import deferred payments credits.

SMERA has reaffirmed the short-term rating of '**SMERA A2+**' (read as **SMERA A two plus**) to the above mentioned bank facilities of Laguna Clothing Private Limited (LCPL).

The ratings reflect the company's strong market position in the readymade garment (RMG) industry, the extensive experience of its promoters in the RMG industry and its robust financial risk profile marked by healthy net worth and strong debt protection metrics. These rating strengths are partially offset by the company's exposure to intense competition in the RMG industry.

Update

LCPL recorded revenues of Rs. 307 Crores during 2014-15 (refers to financial year, April to March), implying a healthy compounded annual growth rate of 28 per cent over the five years ended March' 2015 and in line with SMERA's expectations. SMERA expects the company to sustain its revenue momentum over the medium term, driven by increasing penetration into end customers. The company's profitability has remained healthy in the range of 13 to 15 per cent over the three years, driven by its healthy operating efficiencies. SMERA expects the company's profitability to remain healthy over the medium term. The company's liquidity remains comfortable marked by healthy cash accruals, absence of term debt obligations and moderate utilisation of working capital limits driven by effective working capital management.

Rating Sensitivity Factors

- Diversification in revenue profile
- Future Capital expenditure plans and its funding
- Sustenance of efficient working capital management

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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About the Company

Incorporated in 2005, LCPL is a Bangalore-based company established as a joint initiative between Gruppo Tessile Monti (Italy) and Aquarelle International Limited (Mauritius). The company is engaged in the manufacture of premium shirts for men.

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