Laguna Clothing Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings
PC/PCFC/FDB/FBE/BRD	35.00 (enhanced from Rs. 25.00 crore)	SMERA A2+ (Reaffirmed)
PCFC	15.00# (enhanced from Rs. 10.00 crore)	SMERA A2+ (Reaffirmed)
ILC/FLC	8.00	SMERA A2+ (Withdrawn)
Bank Guarantee	1.00	SMERA A2+ (Reaffirmed)
Forward Purchase Contract	1.60	SMERA A2+ (Reaffirmed)

#Fully interchangeable with export facility for purchase/negotiation of document against payment, export facility for purchase/negotiation of document against acceptance and pre-shipment loan against export. Further, it includes sublimit import documentary credit and import deferred payments credits to the extent of Rs. 12.00 crore.

SMERA has reaffirmed the ratings of **'SMERA A2+' (read as A two plus)** on the Rs. 52.60 crore bank facilities of Laguna Clothing Private Limited (LCPL). Further, SMERA has withdrawn the rating of **'SMERA A2+' (read as SMERA A two plus)** on the Rs. 8.00 crore bank facility since there are no dues outstanding as certified by the banker.

The ratings continue to reflect the company's strong market position in the readymade garment (RMG) industry and the extensive experience of its promoters in the industry. The ratings also factor in the 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 industry.

Update

LCPL reported decline in operating income to Rs.278.99 crore in FY2015-16 as against Rs.295.80 crore in the previous year mainly on account of lower realisation. The operating margin declined to 12.05 per cent in FY2015-16 vis-à-vis 13.83 per cent in FY2014-15 due to fall in foreign exchange gain. The company's profitability continues to remain susceptible to volatility in raw material prices and forex rates.

The financial risk profile continues to remain healthy marked by low gearing and healthy debt coverage ratio. The company reported gearing of 0.17 times as on March 31, 2016 as against 0.20 times as on March 31, 2015. The company registered interest coverage ratio of 23.22 times for FY2015-16 as against 22.86 times in the previous year. The networth stood at Rs.109.12 crore as on March 31st, 2016 as compared to Rs.86.86 crore in the previous year.

Further, the company paid interim dividend of Rs.31.50 crore for FY2016-17. The liquidity profile of the company remained comfortable with average bank limit utilisation of ~69 per cent for the last six months ended 30 September, 2016.

Rating Sensitivity Factors

- Scaling up revenue alongwith improvement in profitability
- Effective working capital management
- Debt funded capex plan

- Dividend Payout

Criteria applied to arrive at the ratings:

- Manufacturing Entities

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 and is headed by Mr. Sarbajit Ghose.

In FY2015-16, LCPL reported profit after tax (PAT) of Rs.22.33 crore on operating income of Rs.278.99 crore as compared to PAT of Rs.25.21 crore on operating income of Rs.295.80 crore in the previous year.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
26 August, 2015	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)	-
4 September, 2014	PC/PCFC/FDB/FBE /BRD	25.00*	-	SMERA A2+ (Assigned)	-
	PCFC	10.00^	-	SMERA A2+ (Assigned)	-
	ILC/FLC	8.00	-	SMERA A2+ (Assigned)	-
	Bank Guarantee	1.00	-	SMERA A2+ (Assigned)	-
	Forward Purchase Contract	1.60	-	SMERA A2+ (Assigned)	-

**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.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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.*