

September 16, 2014

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit Limit	5.50	SMERA B-/Stable (Assigned)
Term Loan	0.17	SMERA B-/Stable (Assigned)
Letter of Credit	0.75	SMERA A4 (Assigned)
FDDBP/FDUBD	4.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (read as **SMERA single B minus**) and '**SMERA A4**' (read as **SMERA A Four**) to the abovementioned bank facilities of CGS Apparels Private Limited (CAPL). The outlook is '**Stable**'. The ratings are constrained by the company's small-scale operations, low net profit margin and weak financial risk profile in an intensely competitive segment of the textile industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuations in foreign exchange rates. However, the ratings are supported by the company's experienced management.

CAPL, established in 1999, is a Noida-based company engaged in manufacturing and export of apparels for men, women and children. CAPL's small operating scale is reflected in total operating income of Rs.32.12 crore (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.26 per cent (provisional) in FY2013-14. Moreover, CAPL's net profit of Rs.0.08 crore (in FY2013-14) is largely supported by foreign exchange gain of Rs.0.56 crore. The company's weak financial risk profile is marked by high leverage (debt-equity) ratio of 3.42 times as on March 31, 2014 and low interest coverage ratio of 1.31 times (provisional) in FY2013-14. CAPL faces intense competition from several manufacturers of readymade garments. The company's profit margins are susceptible to volatility in prices of raw materials (cotton yarn and fabric) and fluctuations in foreign exchange rates.

CAPL benefits from its experienced management. Mr. Abhishek Bijoria, promoter of CAPL, has around two decades of experience in the textile industry.

Outlook: Stable

SMERA believes CAPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and long-standing relations with customers. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position.

About the company

CAPL, established in 1999, is a Noida-based company promoted by Mr. Abhishek Bijoria. CAPL is engaged in manufacturing of apparels for men, women and children.

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SMERA RATINGS LIMITED

CGS Apparels Private Limited (CAPL)

*Rating
Rationale*

For FY2013–14 (as per provisional financial statements), CAPL reported profit after tax (PAT) of Rs.0.08 crore on total operating income of Rs.32.12 crore, as compared with net loss of Rs.1.15 crore on total operating income of Rs.21.43 crore in FY2012–13. The company's net worth stood at Rs.3.69 crore (provisional) as on March 31, 2014, as compared with Rs.3.61crore a year earlier.

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