

October 21, 2014

Facility	Amount (Rs. Crore)	Rating
Packing Credit*	10.00	SMERA A4 (Assigned)

\*Fully interchangeable with Bill Discounting

SMERA has assigned a short-term rating of '**SMERA A4**' (**read as SMERA A Four**) to the abovementioned bank facility of Drishti Apparels (DA). The rating is constrained by the firm's moderate scale of operations and average financial risk profile in an intensely competitive segment of the leather industry. The rating is also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices and fluctuations in foreign exchange rates. However, the rating is supported by the firm's experienced management.

DA, established in 1996, is a Manesar-based partnership firm engaged in manufacturing and export of leather garments and accessories. DA's moderate operating scale is reflected in total operating income of Rs.44.66 crore (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The firm's average financial risk profile is marked by high gearing (debt-to-capital ratio) of 6.33 times (provisional) as on March 31, 2014 and interest coverage ratio of 2.84 times (provisional) in FY2013-14. Moreover, DA's net profit of Rs.1.55 crore (provisional) in FY2013-14 is largely supported by foreign exchange gain of Rs.0.98 crore. The firm operates in an intensely competitive segment of the leather industry. DA's profit margins are susceptible to volatility in prices of various raw materials such as leather, cotton and fabric. The firm's profitability is also exposed to foreign exchange fluctuation risk.

DA benefits from its experienced management. Mr. Anil Budhiraj, partner of DA, has around two decades of experience in the leather industry.

#### About the firm

DA, established in 1996, is a Manesar-based partnership firm managed by Mr. Anil Budhiraj. DA is engaged in manufacturing and export of leather garments and accessories.

For FY2013-14 (as per provisional financial statements), DA reported profit after tax (PAT) of Rs.1.55 crore on total operating income of Rs.44.66 crore, as compared with PAT of Rs.0.67 crore on total operating income of Rs.32.72 crore in FY2012-13. The firm's net worth stood at Rs.1.09 crore (provisional) as on March 31, 2014, as compared with Rs.2.67 crore a year earlier.

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