

December 01, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loans	1.49	SMERA B/ Stable (Assigned)
Cash Credit	4.50	SMERA B/ Stable (Assigned)
Term Loans (Proposed)	1.00	SMERA B/ Stable (Assigned)
Cash Credit (Proposed)	2.50	SMERA B/ Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (**read as SMERA single B**) to the Rs.9.49 crore bank facilities of Lamiya Silks (LS). The outlook is '**Stable**'. The rating is primarily constrained by increase in debt-funded working capital requirements of the firm. The rating is also constrained by the firm's stretched liquidity position and moderate scale-operations in an intensely competitive segment of the retail industry. The rating factors in risks related to the firm's proprietorship constitution. However, the rating derives comfort from the firm's experienced management, healthy revenue growth and diversified product profile.

LS, established in 2008, is a Kerala-based proprietorship firm engaged in retailing of readymade garments. LS's working capital requirements have increased on account of expansion of showroom network (from four stores to six outlets). The firm proposes to avail additional cash credit limit of Rs.2.50 crore. LS's stretched liquidity position is evidenced by high utilisation (~98 per cent) of cash credit limit during the festive season. Notwithstanding healthy growth in revenues, LS has moderate-scale operations marked by total operating income of Rs.35.21 crore in FY2013-14 (provisional). LS faces intense competition from several retailers of readymade garments. The firm's financial profile is susceptible to withdrawal of capital, which is an inherent risk in proprietorship entities.

LS benefits from its experienced management. The proprietor of the firm has around 10 years of experience in the retail industry. LS's revenues have increased from Rs.7.99 crore in FY2009-10 to Rs.35.21 crore in FY2013-14 (provisional). The firm's diversified product portfolio includes apparels for men, women and children.

Outlook: Stable

SMERA believes LS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial improvement in business and financial risk profiles. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's business or financial risk profile.

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About the firm

LS, established in 2008, is a Kerala-based firm promoted by Mr. Abdul Jabbar. LS is engaged in retailing of readymade garments for men, women and children. The firm has six showrooms in Kerala.

For FY2013-14 (as per provisional financial statements), LS reported profit after tax (PAT) of Rs.0.65 crore on operating income of Rs.35.21 crore, as compared with PAT of Rs.0.18 crore on operating income of Rs.16.51 crore in the previous year. The firm's net worth stood at Rs.4.39 crore as on March 31, 2014, as compared with Rs.2.77 crore a year earlier.

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