

September 14, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	9.10	<b>SMERA BB/Stable</b> (Upgraded from SMERA B+/Stable)

SMERA has upgraded the rating of the above mentioned bank facility of Jheel Fabrics (JF) to '**SMERA BB** (read as SMERA double B) from **SMERA B+** (read as SMERA B plus). The upgrade takes into accounts healthy revenue growth, improvement in profitability, higher than expected growth on account of new dealership. However, the rating remains constrained by the firm's moderate scale of operations and working capital intensive nature of business.

### Update

JF booked revenue of Rs.58.24 crore (provisional) in FY2014-15 (refers to financial year, April 01 to March 31) as compared to Rs.52.95 crore in FY2013-14. The firm's net profit margins increased by 40 bps while the return on capital employed stands at healthy of 23.76 per cent in FY2014-15 as compared to 22.92 per cent in FY2013-14. Besides, having taken dealership of Mafatlal Industries and LNJ Group (the Bhilwara group) in FY2015-16, we expect higher than expected revenue visibility in future.

### Outlook: Stable

SMERA believes JF would continue to benefit from the firm's experienced management and new dealerships. The outlook may be revised to 'Positive' in case the firm registers strong revenue growth while achieving sustained improvement in profit margins and effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues and profit margins or stretch in the working capital cycle that would lead to deterioration in the financial profile.

### Rating Sensitivity Factors

- Efficient working capital management
- Scaling up revenue while maintain profitability

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## About the Firm

JF, established in 2008, is a Mumbai-based proprietorship firm that trades in denim fabric. The firm is promoted by Mr. Pradeep Shah.

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