

Press Release

24 June, 2017

Gajiwala Sarees (GS)

Rating Assigned and Downgraded



Total Bank Facilities Rated *	Rs. 19.00 Cr
Long Term Rating	SMERA BB-/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating from '**SMERA BB' (read as SMERA double B)** to '**SMERA BB-' (read as SMERA double B minus)** on the Rs. 12.00 crore bank facility. SMERA has also assigned long-term rating of '**SMERA BB-' (read as SMERA double B minus)** on the Rs. 7.00 crore bank facility of Gajiwala Sarees. The outlook is '**Stable**'.

The Surat based GS, a proprietorship concern was established in 2003 and converted to a partnership entity in 2009. The firm is engaged in the manufacture of bridal wear and has installed capacity of 100,000 pieces per annum. The firm outsources the sewing, embroidery and embellishment work.

Key Rating Drivers

Strengths

- **Experienced management**

GS was established in 2003. The day-to-day operations are led by Mr. Vikram Gajiwala who possesses experience of about a decade in the industry.

- **Moderate financial risk profile**

The gearing stood at 0.69 times as on 31 March, 2016 compared to 0.68 times as on 31 March, 2015. The Interest coverage ratio stood at 2.00 times in FY2016 as against 1.84 times in FY2015.

Weaknesses

- **Working capital intensive operations**

The operations of GS are working capital intensive marked by high gross current assets (GCA) of 148 days in FY2016 compared to 168 days in FY2015. The debtor days stood high at 110 for FY2016 as compared to 123 for FY2016. Further, average cash credit utilisation for six months ended April 2017 stood at ~90 percent.

- **Deterioration in revenue**

The revenue increased from Rs.123.23 crore in FY2015 to Rs.144.82 crore in FY2016. Further the firm reported lower than expected revenue of Rs.99.50 crore in FY2017 (~31 percent fall in revenue as compared to FY2016).

• Highly fragmented and competitive industry

Textile is a highly competitive industry due to low entry barriers which results in intense competition from both, the organised as well as unorganised players.

• Partnership constitution

GS is exposed to the risk of capital withdrawal on account of the partnership constitution of the firm.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Gajiwala Sarees to arrive at the rating.

Outlook: Stable

SMERA believes that GS will maintain a stable outlook and continue to benefit from the extensive experience of its management. The outlook may be revised to 'Positive' if the firm displays good scalability in operations and is able to maintain profitability. Conversely, the outlook may be revised to 'Negative' in case of fall in revenues, profitability or if the firm undertakes debt funded capex.

About the Rated Entity - Key Financials

The firm reported Profit after Tax (PAT) of Rs. 1.56 crore on operating income of Rs. 144.82 crore in FY2015-16 as compared to PAT of Rs. 1.18 crore on operating income of Rs. 123.23 crore in the previous year. The net worth (Quasi included) stood at Rs. 17.48 crore as on 31 March, 2016 as against Rs. 18.04 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide release dated August 29, 2015 suspended the ratings of Gajiwala Sarees on account of non-co-operation.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Mar-2016	Cash Credit	Long Term	INR 12.00	SMERA BB / Stable (Upgraded)
20-Feb-2015	Cash Credit	Long Term	INR 12.00	SMERA BB-/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB- / Stable (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB- / Stable (Assigned)

#the Cash credit facility has been enhanced to Rs.19.00 crore from Rs.12.00 crore.

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ABOUT SMERA

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