

February 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.90	SMERA B/Stable (Assigned)
Cash Credit	3.00	SMERA B/ Stable (Assigned)
Letter of Credit	0.45	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B** (read as SMERA single B) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.5.35 crore bank facilities of Creative Clothex. The outlook is '**Stable**'. The ratings derive comfort from the firm's experienced management and established relations with customers and suppliers. The ratings also derive comfort from the firm's moderate financial risk profile. However, the ratings are constrained by the firm's working capital-intensive operations. The ratings are also constrained by the firm's exposure to customer concentration risk amidst intense competition in the textile industry.

Creative Clothex, established in 1997, is a Noida-based proprietorship firm engaged in manufacturing of knitted and woven garments. Creative Clothex benefits from its experienced management. Mrs. Geeta Singhal, promoter of Creative Clothex, has around 25 years of experience in the textile industry. The firm also benefits from its established relations with customers and suppliers.

Creative Clothex's moderate financial risk profile is marked by leverage (debt-to-capital ratio) of 1.12 times as on March 31, 2014 and interest coverage ratio of 1.52 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm's total debt of Rs.6.78 crore (as on March 31, 2014) includes interest-free unsecured loans of Rs.1.65 crore from promoters, friends and relatives. These unsecured loans are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

Creative Clothex's operations are working capital-intensive, as reflected in gross current assets (GCA) of 104 days and inventory holding period of 78 days in FY2013-14. The firm faces intense competition from several players in the textile industry. Creative Clothex is exposed to customer concentration risk, given that the firm derives ~80 per cent of its total revenues from two customers.

Outlook: Stable

SMERA believes Creative Clothex will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in scale of operations while achieving significant improvement in profitability, financial risk profile and working capital management. The outlook may be revised to 'Negative' in case of stretch in the firm's working capital cycle, or in case of deterioration in the firm's financial risk profile.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

Creative Clothex, established in 1997, is a Noida-based proprietorship firm promoted by Mrs. Geeta Singhal. Creative Clothex undertakes manufacturing of knitted and woven garments such as sportswear and casual wear for men, women and children.

For FY2013-14, Creative Clothex reported profit after tax (PAT) of Rs.0.38 crore on operating income of Rs.27.56 crore, as compared with net loss of Rs.0.49 crore on operating income of Rs.17.80 crore in FY2012-13. The firm's net worth stood at Rs.2.95 crore as on March 31, 2014, as compared with Rs.1.82 crore a year earlier.

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President - Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email : antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.