

March 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.50	SMERA B+/Stable (Assigned)
Packing Credit/Bill Discounting/Letter of Credit*	8.50*	SMERA A4 (Assigned)
Proposed Short term bank facility	2.00	SMERA A4 (Assigned)

** This limit is interchangeable between packing credit (PC), bill discounting (BD) and letter of credit (LC).*

PC and BD are each capped at Rs.7 crore each, whereas LC is capped at Rs.2 crore.

PC and BD combined should not exceed Rs.7.5 crore.

PC, BD and LC combined should not exceed Rs.8.5 crore.

SMERA has assigned ratings of **'SMERA B+' (read as SMERA single B plus)** to the Rs.1.50 crore long-term bank facility and **'SMERA A4' (read as SMERA A four)** to the Rs.10.50 crore short-term bank facilities of Shiva International (Shiva). The outlook is **'Stable'**. The ratings derive comfort from the firm's experienced management, strong revenue growth and 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.

Shiva, established in 2005, is a Noida-based firm engaged in manufacturing and export of readymade garments. Shiva benefits from its experienced management. Mr. Atul Tyagi, director of Shiva, has around three decades of experience in the readymade garments industry. Shiva's revenues increased at a strong compound annual growth rate (CAGR) of ~54 per cent during FY2011-12 (refers to financial year, April 01 to March 31) to FY2013-14.

Shiva's total debt of Rs.12.51 crore (as on March 31, 2014) includes unsecured loans of Rs.3.46 crore from promoters and related parties. SMERA has treated such loans as quasi equity. Shiva's moderate financial risk profile is marked by leverage (debt-to-capital ratio) of 1.38 times and interest coverage ratio of 2.79 times in FY2013-14.

Shiva is exposed to customer concentration risk as the firm derives ~70 per cent of its total revenue from a single customer.

Shiva operates in an intensely competitive segment of the textile industry. The firm's operations are working capital-intensive, as reflected in gross current assets (GCA) of 261 days and collection period of 193 days in FY2013-14.

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.

Outlook: Stable

SMERA believes Shiva 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 strong growth in scale of operations while achieving significant improvement in profitability, financial risk profile and working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's working capital management, or in case of deterioration in the firm's capital structure.

About the firm

Shiva, established in 2005, is a Noida-based proprietorship firm promoted by Mr. Atul Tyagi. Shiva undertakes manufacturing and export of readymade garments for men, women and children. The firm has a manufacturing unit in Noida, with installed capacity of 9 lakh pieces per annum.

For FY2013-14, Shiva reported profit after tax (PAT) of Rs.1.05 crore on operating income of Rs.26.10 crore, as compared with PAT of Rs.0.96 crore on operating income of Rs.19.63 crore in the previous year. The firm's net worth stood at Rs.6.54 crore (including quasi equity of Rs.3.46 crore) as on March 31, 2014, as compared with Rs.4.32 crore (including quasi equity of Rs.2.07 crore) a year earlier.

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