



April 10, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan (proposed)	1.75	SMERA B+/Stable (Assigned)
PCL Against LC	1.50	SMERA A4 (Assigned)
FDBP Against LC	2.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.5.25 crore bank facilities of Ridha Fashions (Ridha). The outlook is '**Stable**'. The ratings derive comfort from the firm's experienced management and moderate financial risk profile. The ratings are also supported by the strategic location of the firm's manufacturing unit in Tamil Nadu. However, the ratings are constrained by the firm's short track record of operations in a highly competitive and fragmented segment of the textile industry.

Ridha, established in 2012, is a Tirupur-based proprietorship firm engaged in manufacturing of garments. Ridha benefits from its experienced management. Mr. S. Krishnakumar, proprietor of Ridha, has around 10 years of experience in the textile industry.

Ridha's moderate financial risk profile is reflected in low gearing of Rs.0.51 times as on March 31, 2014 and comfortable interest coverage ratio of 3.25 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm's manufacturing facility is in proximity to raw material sourcing units and key customers in Tirupur (Tamil Nadu), a major textile hub in India.

Ridha operates in an intensely fragmented segment of the textile industry. The firm has weak bargaining power against customers on account of intense competitive pressure.

### Outlook: Stable

SMERA believes Ridha 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 higher-than-expected revenues and profit margins while achieving sustained improvement in debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure, or in case of decline in the firm's revenues and profit margins.

### About the firm

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Ridha, established in 2012, is a Tirupur-based proprietorship firm promoted by Mr. S. Krishnakumar. Ridha undertakes manufacturing of garments. The firm procures ~50 per cent of its raw material (yarn) requirement from Kiwi Cottspin Mill Private Limited.

For FY2013-14, Ridha reported profit after tax (PAT) of Rs.0.32 crore on operating income of Rs.21.77 crore, as compared with PAT of Rs.0.26 crore on operating income of Rs.6.00 crore in FY2012-13. The firm's net worth stood at Rs.1.17 crore as on March 31, 2014, as compared with Rs.0.66 crore a year earlier.

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