



SMERA RATINGS LIMITED

Ganga Fashions Private Limited (GFPL)

*Rating
Rationale*

April 21, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan I (proposed)	3.40	SMERA BBB-/Stable (Assigned)
Term Loan II (proposed)	1.08	SMERA BBB-/Stable (Assigned)
Term Loan III (proposed)	3.15	SMERA BBB-/Stable (Assigned)
Cash Credit (proposed)	7.20	SMERA BBB-/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.14.83 crore bank facilities of Ganga Fashions Private Limited (GFPL). The outlook is '**Stable**'. The rating is supported by the company's long track record of operations, strong financial risk profile and experienced management. The rating is also supported by the healthy revenue growth registered by the company over the past three years. However, the rating is constrained by the company's exposure to intense competition in the textile industry.

GFPL, incorporated in 1994, is a Surat-based company engaged in printing and dyeing of fabric. GFPL was initially engaged in dyeing of grey fabric on job-work basis. The company started manufacturing operations in FY2012-13 (refers to financial year, April 01 to March 31). GFPL's strong financial risk profile is marked by moderate leverage of ~0.96 times (provisional) as on February 28, 2015 and healthy interest coverage ratio of 9.58 times (provisional) in FY2014-15. The company's total debt of Rs.14.87 crore (as on February 28, 2015) mainly unsecured loans of Rs.7.17 crore from related parties. GFPL benefits from its experienced management. The directors of the company have around 20 years of experience in the textile industry.

GFPL has registered strong revenue growth over the past three years. The company's revenue increased from Rs.32.47 crore in FY2012-13 to Rs.97.54 crore in FY2014-15 post diversification into manufacturing operations. GFPL's operating profit margin increased from 6.26 percent in FY2012-13 to ~12.33 percent (provisional) in FY2014-15.

GFPL operates in a highly competitive and fragmented segment of the textile industry. GFPL was not able to utilize its full capacity because of that company was suffering losses on operating levels. However, after starting of its manufacturing business GFPL able to utilized its capacity fully and covert its business into profit making.

Outlook: Stable

SMERA believes GFPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and strong financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than-expected

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growth in revenues while achieving sustained improvement in profit margins. The outlook maybe revised to 'Negative' in case of deterioration in the company's capital structure, or in case of stretch in the company's working capital cycle on account of high inventory levels or delays in debtor realization.

About the company

GFPL, incorporated in 1994, is a Surat-based company promoted by members of the Gangwani family. GFPL is engaged in dyeing and printing of polyester and cotton fabric. The company also undertakes dyeing of grey fabric on job-work basis. GFPL has a manufacturing unit in Surat (Gujarat), with installed dyeing capacity of ~65,000 meters per day.

GFPL registered profit after tax (PAT) of Rs.9.70 crore (provisional) on operating income of Rs.97.54 crore (provisional) during April 2014 to February 2015, as compared with PAT of Rs.1.75 crore on operating income of Rs.75.91 crore in FY2013-14. The company's net worth stood at Rs.3.25 crore as on March 31, 2014, as compared with Rs.1.50 crore a year earlier.

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