

Ganga Fashions Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	7.20	SMERA BBB-/Stable (Reaffirmed)
Term Loan	7.63	SMERA BBB-/Stable (Reaffirmed)
Term Loan (Proposed)	4.00	SMERA BBB-/Stable (Assigned)

SMERA has reaffirmed the rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the above bank facilities of Ganga Fashions Private Limited (GFPL). The outlook is '**Stable**'.

The rating continues to draw support from the long track record of operations, strong financial risk profile and experienced management. However, the rating is constrained by the company's exposure to intense competition in the textile industry.

Update

GFPL's revenues have marginally increased in FY2015-16 (provisional) to Rs.110.66 crore when compared to Rs.105.04 crore in FY2014-15. The net profit margin remained stable at ~5.85 per cent in FY2015-16(Provisional) and 5.60 per cent in FY2014-15. The gearing continues to remain moderate at 1.18 times as on March, 2016 (provisional) when compared to 1.25 times as on March 31, 2015. Further, the company plans to purchase machinery of Rs.10.00 crore in FY2016-17 to be funded by a term loan of Rs.7.50 crore and the balance by way of unsecured loans.

SMERA believes that the gearing levels of the company are likely to remain moderate with debt funded capex. The company's interest coverage ratio (ICR) stood at 3.40 times in FY2015-16 (provisional) and 5.05 times in FY2014-15. GCA days stand at around 128 days with debtors days of around 84 days in FY2015-16 (provisional).

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Maintaining comfortable capital structure

Outlook-Stable

SMERA believes that the outlook on GFPL's rated facilities will remain stable over the medium term on account of the company's experienced management and strong business risk profile. The outlook may be revised to 'Positive' if the company achieves better than expected growth in revenues and profit margins. Conversely, the outlook maybe revised to 'Negative' in case of deterioration of capital structure, delays in debtor realisation and more than expected inventory days.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

GFPL, incorporated in 1994 by Mr. Jai Gopal Gangwani is engaged in the dyeing and printing of polyester and cotton fabrics at Surat, Gujarat with daily capacity of ~65,000 meters per day. The company also undertakes dyeing of grey fabric on job-work basis. It procures fabric from Tamil Nadu, Maharashtra and Surat and after processing, sells it to wholesalers in Mumbai, Bangalore and Delhi under the 'Ganga' brand name.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Rating	Rating Outlook
			Long Term	
21 April, 2015	Cash Credit (Proposed)	7.20	SMERA BBB- (Assigned)	Stable
	Term Loan I (Proposed)	3.40	SMERA BBB- (Assigned)	Stable
	Term Loan II (Proposed)	1.08	SMERA BBB- (Assigned)	Stable
	Term Loan III (Proposed)	3.15	SMERA BBB-(Assigned)	Stable

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ABOUT SMERA

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