

April 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.25	SMERA B+/Stable (Assigned)
Cash Credit	7.75	SMERA B+/Stable (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)
Cash Credit (proposed)	2.00	SMERA B+/Stable (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.11.00 crore bank facilities of MSP Knit Garments (MSP). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management and moderate revenue growth. However, the ratings are constrained by the firm's weak financial risk profile and stretched liquidity position. The ratings are also constrained by the firm's exposure to intense competition in the textile industry.

MSP, established in 1997, is a Tirpur-based partnership firm engaged in manufacturing of knitted garments. MSP benefits from its experienced management. The partners of the firm have around two decades of experience in the textile industry. MSP registered moderate growth in its operating income which increased to Rs.52.02 crore in FY2013-14 from Rs.47.34 crore in the previous year.

MSP's weak financial risk profile is reflected in high gearing of 3.69 times and moderate interest coverage of 1.73 times in FY2013-14. The firm's stretched liquidity position is evidenced by full utilisation of cash credit limit during September 2014 to February 2015. MSP faces intense competition from several players in the textile industry.

Outlook: Stable

SMERA believes MSP 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 achieves sustained improvement in profitability 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 capital structure.

About the firm

MSP, established in 1997, is a Tirpur -based partnership firm promoted by Mr. M. P. Sami and Mrs. P. Snehlata. MSP undertakes manufacturing of knitted garments for children with installed capacity of 6,000 pieces per day.

For FY2013-14, MSP reported profit after tax (PAT) of Rs.0.45 crore on operating income of Rs. 52.02 crore, as compared with PAT of Rs.0.56 crore on operating income of Rs.47.34 crore in

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FY2012-13. The firm's net worth stood at Rs.3.68 crore as on March 31, 2014, as compared with Rs.3.11 crore a year earlier

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