



SMERA RATINGS LIMITED

Jei Gowtham Textile Private Limited (JGTPL)

Rating Rationale

May 04, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	3.82	SMERA BB-/Stable (Assigned)
Term Loan II	0.28	SMERA BB-/Stable (Assigned)
Cash Credit	2.50	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.6.60 crore bank facilities of Jei Gowtham Textile Private Limited (JGTPL). The outlook is '**Stable**'. The rating is supported by the company's experienced management and comfortable financial risk profile. However, the rating is constrained by the company's small-scale operations. The rating is also constrained by the decline in the company's operating profit margin amidst intense competition. The rating notes that the company is exposed to project implementation risk.

JGTPL, incorporated in 2000, is a Tirupur-based company engaged in manufacturing of fabrics. JGTPL benefits from its experienced management. Mr. S. S. Ramasamy, director of JGTPL, has around 28 years of experience in the textile industry. Mr. Jei Gowtham (son of Mr. S. S. Ramasamy) is a textile engineer with ~10 years of experience in the company's business.

JGTPL's comfortable financial risk profile is marked by moderate leverage of ~0.78 times as on March 31, 2014 and healthy interest coverage ratio of 2.43 times in FY2014-15. The company's total debt of Rs.2.71 crore (as on March 31, 2014) includes short-term working capital facilities of Rs.2.47 crore and unsecured loan of Rs.0.24 crore.

JGTPL has small-scale operations with revenue of Rs.19.54 crore in FY2013-14. The company's operating profit margin declined from 5.10 per cent FY2012-13 to 4.38 per cent in FY2013-14 on account of increase in cotton prices. JGTPL faces intense competition from several players in the textile industry.

JGTPL plans to set up a new factory unit in Tirupur. The total project cost is ~Rs.5.79 crore, which is likely to be funded through term loan of Rs.4.10 crore and unsecured loans and internal accruals of Rs.1.69 crore. Successful implementation of the project is a key rating sensitivity.

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Outlook: Stable

SMERA believes JGTPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while achieving sustained improvement in profit margins. The outlook may be revised to 'Negative' in case of decline in the company's revenue and profit margins, or in case of deterioration in the company's financial risk profile.

About the company

JGTPL, incorporated in 2000, is a Tirupur-based company promoted by Mr. S. S. Ramasamy. JGTPL is engaged in manufacturing of fabrics. The company has a factory unit in Tirupur (Tamil Nadu), with installed capacity of 82 imported Sulzer textile looms.

For FY2013-14, JGTPL reported profit after tax (PAT) of Rs.0.19 crore on operating income of Rs.19.54 crore, as compared with PAT of Rs.0.02 crore on operating income of Rs.15.95 crore in FY2012-13. The company registered PAT of Rs.0.43 crore (provisional) on operating income of Rs.14.95 crore (provisional) for the period April 2014 to December 2014. JGTPL's net worth stood at Rs.3.49 crore as on March 31, 2014, as compared with Rs.3.33 crore a year earlier.

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