

May 19, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Export Packing Credit*</b>	<b>2.50</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Export Packing Credit (proposed)</b>	<b>0.89</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Foreign Bill Discounting*</b>	<b>7.65</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Standby Line of Credit</b>	<b>2.75</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>6.00</b>	<b>SMERA A4+ (Assigned)</b>
<b>Forward Contract</b>	<b>0.20</b>	<b>SMERA A4+ (Assigned)</b>
<b>Bank Guarantee</b>	<b>0.05</b>	<b>SMERA A4+ (Assigned)</b>

\* Fully interchangeable between Foreign Bill Discounting (Non-LC) and Export Packing Credit.

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as SMERA double B plus) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the abovementioned bank facilities of Gemini Enterprises (GE). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management, healthy revenue growth and comfortable financial risk profile. However, the ratings are constrained by the firm's exposure to customer concentration risk amidst intense competition.

GE, established in 1989, is a Chennai-based partnership firm engaged in manufacturing and export of leather jackets. GE benefits from its experienced management. Mr. Sekar, managing partner of GE, has around two decades of experience in the leather industry. GE has registered healthy revenue growth of ~32 per cent (compound annual growth rate) over the past four years. The firm's comfortable financial risk profile is marked by low leverage (debt-to-capital ratio) of 0.50 times as on March 31, 2014 and healthy interest coverage ratio of 3.81 times in FY2013-14 (refers to financial year, April 01 to March 31).

GE is exposed to customer concentration risk as sales to top two clients account for ~80 per cent of its total revenue. The firm faces intense competition from several players in the leather apparels business.

### Outlook: Stable

SMERA believes GE 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 healthy growth in revenue while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the firm's revenue or profit margins.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

#### About the firm

GE, established in 1989, is a Chennai-based partnership firm engaged in manufacturing and export of leather jackets. GE has four factory units in Chennai, with total production capacity of 2,75,000 pieces per annum. The firm caters to customers in Spain and Germany.

For FY2013-14, GE reported profit after tax (PAT) of Rs.3.70 crore on operating income of Rs.143.09 crore, as compared with PAT of Rs.3.02 crore on operating income of Rs.112.38 crore in FY2012-13. The firm's net worth stood at Rs.7.34 crore as on March 31, 2014, as compared with Rs.3.13 crore a year earlier.

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