

Press Release

Gemini Enterprises (GE)

23 October, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 24.79 Cr.
Long Term Rating	SMERA BBB- /Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and the short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.24.79 crore bank facilities of Gemini Enterprises (GE). The outlook is '**Stable**'.

Gemini Enterprises (GE), established in 1989 is a Chennai-based partnership firm engaged in manufacturing and export of leather jackets. The firm has six factory units in Chennai, with total production capacity of 300,000 pieces per annum and caters to customers in Spain and Germany.

Key Rating Drivers

Strengths

- **Experienced management**

The day-to-day operations are managed by Mr. Sekar (Managing Partner), who possesses experience of more than two decades in this line of business.

- **Reputed clientele and healthy order book position**

GE majorly caters to reputed customers in the European region. Around ~80 percent of its revenues are from ITX Trading SA, Spain and Hugo Boss AG, Germany. Current orders in hand are of Rs.40.00 crore (approx.) to be executed by December 2017.

- **Healthy financial risk profile**

The financial risk profile is healthy marked by gearing of 0.47 times in FY2016-17 (Provisional) as against 0.34 times in FY2015-16. The capital increased from Rs.9.00 crore in FY2015-16 to Rs.11.72 crore in FY2016-17 (Provisional). The Interest Coverage Ratio (ICR) stood at 4.48 times in FY2016-17 (Provisional) as against 4.81 times in FY2015-16. The total debt stood at Rs.3.96 crore in FY2016-17 (Provisional) as against Rs. 7.03 crore in FY2015-16 which mainly constituted working capital facilities. The firm has no debt funded capex.

Weaknesses

- **Decline in operating income**

The operating income declined to Rs.164.54 crore in FY2016-17 (Provisional) from Rs. 168.67 crore in FY2015-16. However, the operating margins have remained above 6 per cent during FY2015-16. Further as per Provisional data, the operating profit margin stood at ~5.96 per cent.

- **Intense competition**

The firm is exposed to intense market competition from domestic players as also from China.

- **Susceptibility of margins to volatility in raw material prices**

The margins of GE are susceptible to volatility in the prices of leather.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that GE will continue to maintain a stable outlook over the medium term owing to its promoters extensive experience in the industry. The outlook may be revised to 'Positive' in case the firm registers healthy revenues and sustains its profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), GE reported profit after tax (PAT) of Rs.4.46 crore on operating income of Rs.164.54 crore, compared to PAT of Rs.5.05 crore on operating income of Rs.168.67 crore in FY2015-16. GE's net worth stood at Rs.13.02 crore as on 31 March, 2017 (Provisional), compared to Rs.11.72 crore a year earlier.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-May-2016	Export Packing Credit	Long Term	INR 2.50*	SMERA BBB- / Stable (Upgraded)
	Standby Line of Credit	Long Term	INR 2.75	SMERA BBB- / Stable (Upgraded)
	Foreign Bill Discounting (Non LC)	Long Term	INR 12.65*#@ (enhanced from INR 7.65)	SMERA BBB- / Stable (Upgraded)
	Bank Guarantee	Short Term	INR 0.05	SMERA A3 (Upgraded)
	Forward Contracts	Short Term	INR 0.80 (enhanced from INR 0.20)	SMERA A3 (Upgraded)
	Letter of Credit	Short Term	INR 6.00	SMERA A3 (Upgraded)
	Proposed Export Packing Credit	Long Term	INR 0.04 (revised from INR 0.89)	SMERA BBB- / Stable (Upgraded)
19-May-2015	Export Packing Credit	Long Term	INR 2.50*	SMERA BB+ / Stable (Assigned)
	Standby Line of Credit	Long Term	INR 2.75	SMERA BB+ / Stable (Assigned)
	Foreign Bill Discounting (Non LC)	Long Term	INR 7.65*	SMERA BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 0.05	SMERA A4+ (Assigned)
	Forward Contracts	Short Term	INR 0.20	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	INR 6.00	SMERA A4+ (Assigned)
	Proposed Export Packing Credit	Long Term	INR 0.89	SMERA BB+ / Stable (Assigned)

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

One way interchangeability from Foreign Bill Discounting (Non-LC) to Letter of Credit to the extent of Rs.2.00 crores

@ includes Foreign Bill Discounting (Non-LC) Direct dispatch as a sublimit under Foreign Bill Discounting (Non-LC)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.50*	SMERA BBB- / Stable (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.75	SMERA BBB- / Stable (Reaffirmed)
Foreign Bill Discounting (Non LC)	Not Applicable	Not Applicable	Not Applicable	12.65*#@	SMERA BBB- / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA A3 (Reaffirmed)
Proposed Non-Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A3 (Reaffirmed)
Proposed Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	0.04	SMERA BBB- / Stable (Reaffirmed)

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

One way interchangeability from Foreign Bill Discounting (Non-LC) to Letter of Credit to the extent of Rs.2.00 crores

@ includes Foreign Bill Discounting (Non-LC) Direct dispatch as a sublimit under Foreign Bill Discounting (Non-LC)

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ABOUT SMERA

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