

May 27, 2015

Facilities	Amount (Rs. Crore)	Rating
Packing Credit	2.50	SMERA A4 (Assigned)
FDB/ FBE	7.50	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.10.00 crore short term bank facilities of Sartaj International (SI). The rating is supported by the firm's experienced management and widespread geographic presence. However, the rating is constrained by the firm's small-scale operations in an intensely competitive segment of the textile industry. The rating is also constrained by the firm's working capital-intensive business and weak financial profile. The rating note that the firm's profit margins are susceptible to volatility in raw material prices and fluctuations in forex rates.

SI, established in 1990, is a Gurgaon-based proprietorship firm engaged in manufacturing, trading and export of readymade garments. SI has small-scale operations with revenue of Rs.26.42 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's operations are working capital-intensive on account of stretched collection period of 200 days and high inventory level of 80 days in FY2013-14. SI's weak financial risk profile is reflected in high gearing of 2.81 times as on March 31, 2014 and moderate interest coverage ratio of 1.45 times in FY2013-14. The firm's profit margins are highly susceptible to volatility in raw material prices and fluctuations in forex rates. SI faces intense competition from several players in the textile industry.

SI benefits from its experienced management. Mr. Jasjit Singh Chhabra, proprietor of SI, has around 24 years of experience in the textile industry.

About the firm

SI, established in 1990, is a Gurgaon-based proprietorship firm promoted by Mr. Jasjit Singh Chhabra. SI is engaged in manufacturing, trading and export of readymade garments. The firm has a manufacturing unit in Gurgaon, with installed capacity of ~8,40,000 pieces per annum. SI's main export markets include Dubai, USA, Europe and South America.

For FY2013-14, SI reported profit before tax (PBT) of Rs.0.35 crore on operating income of Rs.26.42 crore, as compared with PBT of Rs.0.94 crore on operating income of Rs.25.18 crore in FY2012-13. The firm registered revenue of ~Rs.27.00 crore (provisional) during April 2014 to February 2014. SI's capital stood at Rs.4.68 crore as on March 31, 2014, as compared with Rs.5.20 crore a year earlier.

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SMERA RATINGS LIMITED

Sartaj International (SI)

Rating Rationale

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