

October 12, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB-/Stable (Assigned)
Term Loan I	0.08	SMERA BB-/Stable (Assigned)
Term Loan II	0.33	SMERA BB-/Stable (Assigned)
Bank Guarantee	0.02	SMERA A4+ (Assigned)
Packing Credit	5.00	SMERA A4+ (Assigned)
Forward Contract	0.05	SMERA A4+ (Assigned)
Inland Letter of Credit	1.00	SMERA A4+ (Assigned)
Foreign Documentary Bill of Purchase	2.50	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.10.98 crore bank facilities of ABC Garments (ABCG). The outlook is '**Stable**'. The rating draws comfort from the promoter's extensive industry experience and healthy relations with customers and suppliers. However, the rating is constrained by the firm's small scale of operations, working capital intensive business and susceptibility of the operating margins to volatility in raw material prices.

Outlook: Stable

SMERA believes that ABCG will continue to benefit over the medium term, from its experienced management and long-standing relations with its customers and suppliers. The outlook may be revised to 'Positive' in case of an improvement in the capital structure or shortening of the working capital cycle. Conversely, the outlook may be revised to 'Negative', in case of deterioration in the profitability margins, lower than expected cash accruals or in case ABCG undertakes large, debt-funded capital expenditure (capex), adversely impacting its financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Working capital management
- Further capital expenditure plans

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) for the latest information on any instrument rated by SMERA.

About the Firm

ABCG, established in 1993, is a Tamilnadu-based partnership firm engaged in the manufacture and export of readymade garments for men, women and kids. The firm exports its products to Europe, USA among others. The firm is headed by Mr. R Annadurai, Partner, who possesses experience of over two decades in the business. For FY2013-14, ABCG reported net profit of Rs.0.35 crore on operating income of Rs.11.08 crore, as compared with net profit of Rs.0.27 crore on operating income of Rs.9.10 crore in FY2012-13. The company's net worth stood at Rs.3.57 crore as on March 31, 2014, as against Rs.3.30 crore a year earlier. ABCG, on a provisional basis, reported profit after tax (PAT) of Rs.0.51 crore on an operating income of Rs.18.22 crore.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in