

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

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.

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