

December 18, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	9.00	SMERA BB/Stable (Assigned)
Term Loan	0.98	SMERA BB/Stable (Assigned)
Proposed Long Term	1.02	SMERA BB/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) to the Rs.11.00 crore bank facilities of Sangam Weavers Private Limited (SWPL). The outlook is '**Stable**'. The rating is supported by the company's established operations, experienced management and comfortable financial risk profile. However, the rating is constrained by the small scale of operations and low profitability margins. The rating is also constraint by the high working capital requirement as evident from high gross current asset (GCA) days at 169 days in FY2014-15 and intense competition in the garment industry.

Outlook: Stable

SMERA believes that SWPL will maintain a stable business risk profile in the medium term owing to the extensive experience of the management in garment manufacturing and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration of financial risk profile.

Rating Sensitivity Factors

- Improvement in revenues and profitability
- Improvement in working capital cycle

About the Company

Incorporated in 1996, SWPL is a Ludhiana-based company promoted by Mr. Ramesh Kumar Jain, Mr. Bipan Jain, Mr. Dinesh Jain and others. The company is engaged in the manufacture of fabrics and readymade garments.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.42 crore on operating income of Rs.47.00 crore as compared with PAT of Rs.0.61 crore on operating income of Rs.40.40 crore for FY2013-14. The company's net worth stood at Rs.9.75 crore as on March 31, 2015 (including unsecured loan of Rs.1.97 crore). The company has achieved Rs.28.28 crore (provisional) of revenue from April 2015 to October 2015.

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