

Sangam Weavers Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	9.00	SMERA BB/Stable (Reaffirmed)
Term Loan	1.87	SMERA BB/Stable (Reaffirmed)
Proposed Long Term	0.13	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.11.00 crore bank facilities of Sangam Weavers Private Limited (SWPL). The outlook continues to remain '**Stable**'.

The rating continues to be supported by the experienced management and moderate financial risk profile marked by comfortable gearing and moderate coverage ratios. However, the rating continues to be constrained by the muted revenue and working capital intensive business, evident from the high gross current asset (GCA) days. SMERA also notes the intense competition in the textile industry.

SWPL, incorporated in 1996 by Mr. Ramesh Kumar Jain, Mr. Bipan Kumar Jain and Mr. Dinesh Jain, is a Ludhiana-based company, engaged in the manufacturing of fabrics and readymade garments. The day-to-day operations are managed by Mr. Dinesh Jain, Director, who possesses experience of around 25 years in the textile industry.

SWPL has moderate financial risk profile marked by comfortable gearing (debt-to-equity) of 0.72 times in FY2015-16 against 0.84 times in FY2014-15. The interest coverage ratio was at 1.90 times in FY2015-16 against 1.74 times in FY2014-15.

However, the company has muted revenue of Rs.47.07 crore in FY2015-16, marginal improvement from Rs.46.97 crore in FY2014-15. The PAT margin is low and stands at 0.91 per cent in FY2015-16 against 0.89 per cent in FY2014-15. The company has working capital intensive business marked by high gross current asset (GCA) of 166 days in FY2015-16 as compared to 171 days in FY2014-15. Also, SWPL operates in an intensely competitive segment of the textile industry.

Outlook- Stable

SMERA believes that SWPL will continue to maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Management of working capital cycle

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

SWPL, incorporated in 1996, by Mr. Ramesh Kumar Jain, Mr. Bipan Kumar Jain and Mr. Dinesh Jain is engaged in the manufacture of fabrics and readymade garments for men, women and kids. The products include track suits, T-shirts, sweatshirt among others.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.43 crore on operating income of Rs.47.07 crore, as compared with PAT of Rs.0.42 crore on operating income of Rs.46.97 crore in FY2014-15. The net worth stood at Rs.10.58 crore (included quasi equity of Rs.2.37 crore) as on March 31, 2016 against Rs.9.75 crore (included quasi equity of Rs.1.97 crore) a year earlier.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
18 Dec, 2015	Cash Credit	9.00	SMERA BB (Assigned)	-	Stable
	Term Loan	0.98	SMERA BB (Assigned)	-	Stable
	Proposed Facility	1.02	SMERA BB (Assigned)	-	Stable

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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