

January 22, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.75	SMERA B+/Stable (Assigned)
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Bank Guarantee	0.25	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the proposed Rs.6.00 crore bank facilities of Purple Creations Private Limited (PCPL). The outlook is '**Stable**'. The ratings derive comfort from the experienced management, reputed clientele and healthy operating margins. However, the ratings are constrained by the thin profit margins, moderate scale of operations and working capital intensive nature of business. The ratings are also constrained by the higher interest outgo on unsecured loans treated as quasi equity.

Rating Sensitivity Factors

- Fluctuations in raw material prices affecting profitability
- Efficient working capital management

Outlook: Stable

SMERA believes that PCPL will maintain a stable business risk profile over the medium term due to the promoters experience in the Indian readymade garments industry. The outlook may be revised to 'Positive' in case the company registers substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected scalability in revenues amidst intensifying competition in the area of operation.

About the Company

PCPL, incorporated in 1984 is headquartered in Mumbai with its production houses at Mumbai and Baramati, Maharashtra. The company is a supplier of readymade knitwear to various retail brands. It also sells garments under its own brand names - Giraffe & Archies along with licensed products (Disney) across India. The company also manufactures garments for leading large-scale chain stores such as the Future Group, Pantaloons, Landmark Group among others for their private labels.

For FY2014-15, PCPL reported profit after tax (PAT) of Rs.0.01 crore on total income of Rs.21.76 crore as against PAT of Rs.0.01 crore on total income of Rs.22.37 crore for FY2013-14.

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