

## Press Release

### Purple Creations Private Limited

06 July, 2017

### Rating Reaffirmed



Total Instruments Rated*	Rs.6.00 Cr
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

# Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.00 crore bank facilities of Purple Creations Private Limited. The outlook is '**Stable**'.

The Mumbai-based Purple Creations Private Limited (PCPL) is a supplier of readymade knitwear to major retails brands. The company also sells garments under its own brand names - Giraffe and Archies along with licensed products of Disney across India.

### Key Rating Drivers

#### Strengths

- **Long track of operations and experienced management**

PCPL, incorporated in 1984 is led by Mr. Nagji Vira, Mr. Pankaj Vira and Mr. Deepak Vira who possess over 15 years of experience in the garment industry.

- **Reputed customers**

PCPL has a reputed customer base since it supplies readymade garments across India to leading large-scale chain stores - Future Group, Pantaloons, Landmark Group, D-Mart.

- **Average financial risk profile**

The debt coverage indicators are moderate as on 31 March, 2016 with low gearing of 0.30 times, interest coverage of 1.37 times and DSCR of 1.29 times. The network of the company is healthy at Rs. 33.71 crore as on 31 March, 2016 due to unsecured loans of Rs. 29.60 crore considered as quasi equity. The company has healthy net cash accruals of Rs.1.29 crore for FY2015-16.

#### Weaknesses

- **Thin profit margins**

The profit margins of PCPL are thin due to high depreciation and interest cost incurred on unsecured loans of Rs.30.00 crore. These unsecured loans from family members are treated as quasi equity.

- **Working capital intensive operations**

The operations are working capital intensive evident from the high debtor days of 136 as on 31 March, 2016 and cash credit utilisation of ~90 per cent. The working capital cycle of PCPL is high at 170 days for FY2016.

### • Moderate scale of operations

The scale of operations is moderate at ~Rs. 28.30 crore for FY2015-16 as against Rs. 21.76 crore for FY2014-15 despite the company being in the industry for over three decades.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

### Outlook: Stable

SMERA believes that PCPL will maintain a stable outlook over the medium term due to the promoter's extensive 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 its area of operations.

### About the Rated Entity - Key Financials

For FY2015-16, PCPL reported loss of Rs.0.20 crore on operating income of Rs.28.30 crore as against PAT of Rs.0.01 crore on operating income of Rs.21.76 crore for FY2014-15. The net worth stood at Rs.3.75 crore as on 31 March, 2016 against Rs.3.96 crore a year earlier.

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Jan-2016	Term Loan	Long Term	INR 0.75	SMERA B+ / Stable
	Cash Credit	Long Term	INR 5	SMERA B+ / Stable
	Bank Guarantee	Short Term	INR 0.25	SMERA A4

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ /Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4
Term loans	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA B+ /Stable

**Contacts:**

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Namita Palve Executive Analyst - Ratin Operations Tel: 022-67141227 <a href="mailto:namita.palve@smera.in">namita.palve@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

**ABOUT SMERA**

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