



SMERA RATINGS LIMITED

Sri Gita Texturisers (SGT)

Rating Rationale

January 27, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.90	SMERA BB-/Stable (Assigned)
Term Loan	3.60	SMERA BB-/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.8.50 crore bank facilities of Sri Gita Texturisers (SGT). The outlook is '**Stable**'. The rating draws comfort from the firm's experienced management and average financial risk profile. However, the rating is constrained by the moderate scale of operations, short operational track record and supplier concentration risk since over 90% of the raw material is procured from Reliance Industries Limited. The rating also notes that the firm's profit margins are susceptible to volatility in raw material prices.

Rating Sensitivity Factor

- Raw material price volatility

Outlook: Stable

SMERA believes that SGT's business risk profile will continue to remain stable over the medium term on account of its established presence in the textile industry and experienced management. The outlook may be revised to 'Positive' if it registers higher-than-expected revenues and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Firm

SGT, established in 2009, was promoted by Mr. Kailashchand Mundhra and Mr. Mahavir Prasad Mundhra. The firm commenced operations in 2012 to manufacture polyester texturised and roto yarn in various deniers at Surat.

For FY2014-15, SGT reported profit after tax of Rs.1.09 crore on net sales of Rs.47.74 crore; as compared with profit after tax of Rs.0.87 crore on net sales of Rs.46.05 crore in the previous year.

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