

February 05, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.40	SMERA BB/Stable (Assigned)
Term Loan	8.38	SMERA BB/Stable (Assigned)
Stand by Line of Credit	0.54	SMERA BB/Stable (Assigned)
Proposed Bank Limit	0.68	SMERA BB/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) to the abovementioned Rs.15.00 crore bank facilities of Tulip Apparels Private Limited (TAPL). The outlook is '**Stable**'. The ratings draw support from the company's experienced management. Mr. Rajesh Goel and Ajay Singla, Directors, have a collective experience of up to two decades in the garments and apparel industry, and have a long term track record of successful operations. TAPL also has reputed business partners such as H&M, Carrefour, Benetton among others. The rating is further supported by the moderate financial risk profile backed by healthy gearing and coverage indicators. However, the ratings are constrained by the low scale of operations, customer concentration risk amidst the highly competitive textile industry.

Outlook: Stable

SMERA believes TAPL will maintain a moderate business profile 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 the scale of operations and accruals, while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the company registers deterioration in profitability and accruals or if it undertakes larger than expected debt funded capex.

Rating Sensitivity Factors

- Increasing scale of operations and accruals
- Efficient working capital cycle
- Future capital expenditure plans and its funding pattern

About the Company

TAPL, incorporated in 2000, is engaged in the manufacturing of high quality embroidered fabrics and laces. The company undertakes computerised embroidery work on job work basis. It started off as an embroidery unit and diversified into manufacturing of fabrics for ladies in 2007 becoming one of the leading embroidery companies in Northern India. The company is associated with reputed brands such as H&M, Benetton to name a few.

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For FY2014–15, TAPL reported net profit of Rs.0.56 crore on operating income of Rs.18.48 crore as compared to net profit of Rs.0.45 crore on operating income of Rs.17.53 crore in FY2013–14. The net worth stood at Rs.13.63 crore as on March 31, 2015, as compared with Rs.12.17 crore a year earlier. The firm has achieved revenues of Rs.7.82 crore for the period April to September 2015.

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