

March 31, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA BB+/Stable (Assigned)
Term Loan	6.66	SMERA BB+/Stable (Assigned)
Long Term Facility (Proposed)	0.34	SMERA BB+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) to the Rs.17.00 crore bank facilities of Sobhagia Sales Private Limited. The outlook is '**Stable**'. The rating draws support from established track record of operations and experienced management. The rating is further supported by the healthy financial risk profile marked by low gearing and high coverage indicators. SMERA also notes that the company has comfortable bank limit utilisation of 65 per cent for the period August 2015 to January 2016. However, the rating factors in the investment of Rs.14.83 crore made by the company in group companies. SMERA also notes that the company has substantial business transactions among group companies.

Outlook: Stable

SMERA believes SSPL will maintain a stable business risk profile in the medium term owing to its established operations and extensive experience of the promoter. The outlook may be revised to 'Positive' in case of significant improvement in operations and profitability. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates significantly.

Rating Sensitivity Factors

- Increase in scale of operations and profitability
- Management of working capital

About the Company

The Punjab-based SSPL, part of the Sportking Group, was established in 1993 by Mr. Raj Avasthi and Mr. Munish Avasthi. The company manufactures readymade garments such as pullovers, track suits, cardigans, among others and sells them under the 'Sportking', 'Mentor', 'Line', 'Woodburn' brands through its 43 showrooms. The installed manufacturing capacity of the company is 6000 pieces per day for knitted cloth.

For FY2014-15, the company reported profit after tax (PAT) of Rs.3.02 crore on operating income of Rs.125.56 crore, as compared with PAT of Rs.4.22 crore on operating income of Rs.122.83 crore in FY2013-14. The net worth stood at Rs.38.08 crore as on March 31, 2015 against Rs.35.53 crore a year earlier. The total debt of Rs.13.79 crore includes unsecured loans of Rs.0.54 crore that are subordinated to bank debt as on March 31, 2015.

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