

May 09, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the Rs.6.00 crore bank facility of Eagle Sizers. The outlook is '**Stable**'. The rating derives comfort from the firm's experienced management and moderate financial risk profile. However, the rating is constrained by the limited operational track record, working capital intensive operations and volatility in the prices of raw material.

Eagle Sizers, a Gujarat based partnership firm, established in 2012 is engaged in the sizing of fully drawn yarns (FDY). The financial risk profile of the firm is moderate marked by gearing of 1.19 times and interest coverage ratio at 2.21 times for FY2014-15. However, the tangible net worth of Rs.7.09 includes unsecured loans of Rs.2.77 crore that are subordinated to bank debt as on March 31, 2015.

The firm's operating income has increased by ~4 per cent in FY2014-15 registering Rs.53.28 crore in FY2015 as against Rs.51.27 crore in FY2014. The operating profit margin has also remained stable and range bound in FY2014-15 over FY2013-14. However, the profit margins will remain susceptible to volatility in raw material prices. Besides, the operations of the firm are working capital intensive. Around 94.58 per cent of the working capital limits have been utilised for the six months ended December 31, 2015.

Rating Sensitivity Factors

- Scaling up operations
- Efficient working capital management

Outlook: Stable

SMERA believes that Eagle Sizers will continue to benefit over the medium term from its promoters' extensive experience in the textile industry. The outlook may be revised to 'Positive' if the firm achieves higher than expected growth in revenue and if the financial risk profile, particularly its liquidity, improves. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue and decline in profitability or deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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About the Firm:

Eagle Sizers, a partnership firm established in 2012, is engaged in the sizing of fully drawn yarns (FDY) at Surat, Gujarat. The firm is headed by Mr. Radheshyam Jaju and Mr. Bhanwarilal Jaju who possess three decades of experience in the textile industry. The manufacturing capacity of the firm stands at 4,500,000 kg per annum.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.51 crore on operating income of Rs.53.28 crore, as compared to PAT of Rs.0.42 crore on operating income of Rs.51.27 crore in the previous year.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M. National Sales Head – Emerging Corporate Group Tel: +91-22-6714 1151 Cell: +91 9892306888 Email: suman.m@smera.in	Vinay Chhawchharia Associate Vice President- Corporate Ratings Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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