

**Signet Garments Private Limited (SGPL): Assigned**

<b>Name of the Instrument</b>	<b>Amount (Rs Crore)</b>	<b>Rating</b>
Packing Credit/PCFC	3.50	SMERA A4 (Assigned)
Bill Purchase/Discounting	1.00	SMERA A4 (Assigned)
Proposed	3.00	SMERA A4 (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned short term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.8.50 crore bank facilities of Signet Garments Private Limited (SGPL). The rating draws comfort from the promoter's extensive industry experience and healthy relations with customers and suppliers. However, the rating is constrained by the company's small scale of operations, working capital intensive business and susceptibility of operating margins to volatility in raw material prices.

SGPL's small scale of operations is marked by low revenue of Rs.20.86 crore in FY2014-15 as compared with Rs.10.80 crore in FY2013-14. The working capital intensive business is marked by inventory of 124 days in FY2014-15 as compared with 240 days in FY2013-14.

However, with more than a decades experience in the garments industry, the company boasts of reputed clientele including The GAP, Inditex, Talbotes and others.

**Rating Sensitivity Factors**

- Scaling up operations while improving margins
- Efficient working capital management

**Criteria applied to arrive at the rating:**

- Manufacturing Entities

**About the Company:**

SGPL, established in 2004, is a New Delhi-based company promoted by Mr. Rahul Chawla. The company is engaged in the manufacturing and export of readymade fashion garments for women, men and children.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.24 crore on operating income of Rs.20.86 crore, as compared with profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.10.80 crore in FY2014. The net worth stood at Rs.2.50 crore as on March 31, 2015 against Rs.2.43 crore a year earlier.

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