

## Press Release

### Signet Garments Private Limited (SGPL)

29 June, 2017

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.8.50 Cr
<b>Short Term Rating</b>	SMERA A4 (Reaffirmed)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has reaffirmed the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.8.50 crore non fund based bank facilities of Signet Garments Private Limited (SGPL).

SGPL, a New Delhi-based company was promoted by Mr. Rahul Chawla. The company is engaged in the manufacture and export of readymade fashion garments for women, men and children. The manufacturing facility is located at Ghaziabad and has an installed capacity of 10 lakh pieces per annum.

### List of Key Rating Drivers and their detailed description

#### Strengths

**Experienced management:** The company was incorporated in 2004 by Mr. Rahul Chawla who possesses experience of over a decade in the garments and apparels industry.

**Reputed business partners:** SGPL caters to The Gap, Inditex, Zara and H & M.

**Average financial risk profile:** The average financial risk profile is marked by high gearing of 3.48 times as on 31 March, 2016 as against 5.00 times as on 31 March, 2015. The ICR stood healthy at 4.01 times for FY2016 as against 3.34 times in the previous year. The TOL/TNW has been high at 5.84 times for FY2016, an improvement from 6.21 times in FY2015. The tangible net worth stood at Rs. Rs. 2.92 crore as on 31 March, 2016. The company has moderate net cash accruals of Rs. 1.10 crore as on 31 March, 2016 with no long term debt obligation.

#### Weaknesses

**Modest scale of operations:** SGPL has modest scale of operations with operating income of Rs. 27.10 crore for FY2016. The company booked revenue of Rs. 25.29 crore for FY2017.

**Working capital intensive operations:** SGPL has working capital intensive operations marked by high gross current asset days on account of high debtor and inventory days. In FY2015-16, the gross current asset days stood at 183 days while debtor days stood at 48. The inventory holding period was 118 days.

**Highly competitive and fragmented industry:** The company is exposed to intense competition in the garments industry

**Analytical approach:** Standalone business and financial risk profile of the company.

#### Applicable Criteria

- Manufacturing Entities : <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

#### About the Rated Entity – key financials

For FY2015-16, SGPL reported PAT of Rs.0.46 crore on operating income of Rs27.10 crore as against PAT of Rs.0.24 crore on operating income of Rs.20.86 crore for FY2014-15. The net worth stood at Rs.2.92 crore as on 31 March, 2016 against Rs.2.50 crore a year earlier.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

#### Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-June-2016	Packing Credit/PCFC	Short Term	3.50	SMERA A4 (Assigned)
	Bill Purchase/Discounting	Short Term	1.00	SMERA A4 (Assigned)
	Proposed	Short Term	3.00	SMERA A4 (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A4 (Assigned)

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing Credit/PCFC	NA	NA	NA	5.50 (enhanced from Rs. 3.50 cr)	SMERA A4 (Reaffirmed)
Bill Purchase/Discounting	NA	NA	NA	1.50 (enhanced from Rs. 1.00 cr)	SMERA A4 (Reaffirmed)
Letter of Credit	NA	NA	NA	1.50 (enhanced from Rs. 1.00 cr)	SMERA A4 (Reaffirmed)

**Contacts:**

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Namita Palve Rating Analyst Tel: 022-67141129 Email: <a href="mailto:namita.palve@smera.in">namita.palve@smera.in</a>	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

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