

May 25, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	8.00	SMERA B+/Stable (Assigned)
Bill Discounting#	1.00	SMERA A4 (Assigned)
Cash Credit (Proposed)	1.00	SMERA B+/Stable (Assigned)

*Sublimit of Rs.0.50 crore (Packing Credit/ Packing credit in foreign currency)

*Sublimit of Rs.0.60 crore (Foreign Discount Bill Purchase / Foreign Usance Discount Bill Purchase)

#Sublimit of Rs.2.00 crore (Letter of Credit)

#Sublimit of Rs.2.00 crore (Buyers Credit)

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.10.00 crore bank facilities of Providence Textiles. The outlook is '**Stable**'. The ratings are constrained by the small scale of operations and low profitability. The ratings are also constrained by the average financial risk profile marked by high gearing, low coverage indicators and intense competition in the textile industry. However, the ratings draw support from the experienced management.

Outlook: Stable

SMERA believes that Providence Textiles will maintain a stable business risk profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm registers improvement in scale of operations while achieving healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profitability margins
- Improving the financial risk profile

About the Firm

Incorporated in 2011, Providence Textiles, a Punjab-based firm was promoted by Mr. Sanjay Bansal and Mrs. Kanika Bansal. It is engaged in the trading and export of woolen yarn, garments and fabrics to Europe, USA among others. The firm is headed by Mr. Sanjay Bansal, partner, who possesses experience of over two decades in the business.

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SMERA RATINGS LIMITED

Providence Textiles (PT)

Rating Rationale

For FY2014–15, the firm reported net profit of Rs.0.21 crore on operating income of Rs.30.01 crore, as compared with net profit of Rs.0.09 crore on operating income of Rs.23.58 crore in FY2013–14. The net worth stood at Rs.2.81 crore as on March 31, 2015, as compared with Rs.2.21 crore a year earlier. The firm has already achieved ~Rs 36.00 crore (provisional) of revenue for the period April 01, 2015 to March 31, 2016.

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