

Gourav Suitings Private Limited: Assigned

Names of Instruments	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Term Loan	3.34	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+** (read as SMERA B plus)' to the Rs.8.34 crore long term (fund based) bank facilities of Gourav Suitings Private Limited (GSPL). The outlook is '**Stable**'. The rating is constrained by the company's working capital intensive business, modest scale of operations and intense competition in the textile industry. However, the rating draws strength from the experienced management and moderate financial risk profile.

GSPL manufactures grey and finished fabric. Its operations are working capital intensive evident from the gross current assets (GCA) of 227 days in FY2014-15 against 160 days during the previous year. SMERA believes that over the medium term, the operations will continue to remain capital intensive considering its diversified product profile. The company maintains inventory for two to three months to meet consumer demand.

GSPL faces intense competition from several industry players. The scale of operations are modest evident from the operating income of Rs.20.55 crore in FY2014-15 against Rs.21.71 crore in FY2013-14 (refer to financial year, April 1 to March 31).

However, the company benefits from its experienced management. Mr. Rajendra Chandak and Mr. Mahendra Chandak, Directors, have around three decades of experience in the textile industry. The moderate financial risk profile is marked by leverage (debt-equity ratio) of 1.42 times as on March 31, 2015 and moderate interest coverage ratio of 1.79 times in FY2014-15 (refers to financial year, April 01 to March 31).

Outlook- Stable

SMERA believes that the business risk profile of GSPL will remain stable over the medium term backed by an experienced management and healthy relations with customers and suppliers. The outlook may be revised to 'Positive' if the company's scale of operations improves significantly coupled with higher profitability and prudent management of working capital requirements. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues, accruals or elongation in the working capital cycle. Any debt funded capex undertaken by the company leading to pressure on debt protection metrics may also entail a 'Negative' outlook.

Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile
- Debt funded capex

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

The Rajasthan-based GSPL was incorporated in 2001 by Mr Chandak and family to manufacture fabrics. The day-to-day operations are managed by Mr. Rajendra Chandak and Mr. Mahendra Chandak and the manufacturing facilities are located at Bhilwara.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.20.55 crore, as compared with profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.21.71 crore in FY2013-14. As per the 11 months provisional financials for 2015-16, the company booked revenue of Rs.18.89 crore. The net worth stood at Rs.5.25 crore in FY2014-15 against Rs.4.28 crore a year earlier.

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ABOUT SMERA

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