

Press Release

GOURAV SUITINGS PRIVATE LIMITED

October 23, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.34 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 8.34 crore bank facilities of GOURAV SUITINGS PRIVATE LIMITED. The outlook is '**Stable**'.

Gourav Suitings Private Limited (GSPL), incorporated in 2001, is engaged in the manufacturing of grey finished and knitted fabrics at Bhilwara, Rajasthan. The installed capacity stands at 300 tons per annum for knitted fabric and 27 lakh meters per annum for grey fabrics. The company is led by Directors, Mr. Rajendra Chandak and Mr. Mahendra Chandak.

Key Rating Drivers

Strengths

• Established operational track record and experienced management

GSPL is engaged in the manufacturing of grey finished and knitted fabrics since 2001 and benefits from its experienced management. The promoters have around three decades of experience in the textile business. SMERA believes that GSPL will continue to benefit from its established position in the market and experienced management.

• Improvement in operating margins

The operating margins improved from 6.11 per cent in FY2014-15 to 9.45 per cent in FY2015-16 on account of better realisations from knitted manufacturing. Further, margins stood at 9.52 in FY2016-17 (Provisional).

• Moderate financial risk profile

GSPL has moderate financial risk profile marked by tangible networth of Rs.11.30 crore as on 31 March, 2017 (Provisional) as against Rs.10.88 crore as on 31 March, 2016. The gearing improved to 0.35 times as on 31 March, 2017 (Provisional) from 0.38 times as on 31 March, 2016 and Rs.1.42 crore as on 31 March, 2015. The improvement in gearing has been due to networth comprising interest bearing unsecured loans (USL) from promoters to the tune of Rs. 5.50 crore, which is subordinated to bank debt. The total debt of Rs.3.40 crore as on 31 March, 2017 comprises majorly term loan of Rs. 2.24 crore and working capital loan of Rs. 1.16 crore. GSPL has a moderate interest coverage ratio of 2.29 times in FY2016-17 (Provisional) as against 2.00 times in FY2015-16. The company has healthy net cash accruals of around Rs.1.12 crore as against term debt obligations of around Rs.0.58 crore.

Weaknesses

• Modest revenue trend with low profitability

GSPL registered 6.00 per cent decline in revenue in FY2016-17 (Provisional) over the previous year. Revenue stood at Rs.19.02 crore in FY2016-17 (Provisional) as against Rs.20.23 crore in FY2015-16 and Rs.20.55 crore in FY2014-15. The decline is primarily on account of low demand. During the period April to July 2017, GSPL registered revenue of Rs.7 crore. Further, the PAT margin stood at a low of 0.89 percent in FY2017 (Provisional) as against 0.73 percent in FY2016 mainly supported by other income i.e. interest subsidy under TUFS scheme. GSPL's ability to sustain revenues while maintaining profitability will be a key

rating monitorable.

• Working capital intensive operations

The operations are working capital intensive marked by high gross current assets (GCA) of 207 days in FY2016-17 (Provisional) as against 184 days in FY2015-16. This is due to inventory holding and debtor days of 72 and 98 days in FY2017 respectively. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Competitive and fragmented industry

The company is exposed to intense competition from other players due to low entry barriers and limited product differentiation in the textile industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of GSPL.

Outlook: Stable

SMERA believes that GSPL will maintain a stable outlook in the medium term owing to its 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 its working capital requirements. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues, accruals or elongation in its working capital cycle. Significant debt funded capex undertaken by the company leading to pressure on debt protection metrics may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2015-16, GSPL reported Profit after Tax (PAT) of Rs.0.15 crore on total operating income of Rs.20.23 crore compared with PAT of Rs 0.08 crore on total operating income of Rs.20.55 crore in FY2014-15. The tangible net worth stood at Rs.10.88 crore as on 31 March, 2016 as against Rs.5.25 crore in the previous year. As per provisional financials for FY2016-17, GSPL reported PAT of Rs. 0.17 crore on total operating income of Rs.19.02 crore.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Jun-2016	Cash Credit	Long Term	INR 5	SMERA B+ / Stable
	Term Loan	Long Term	INR 3.34	SMERA B+ / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.52	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.82	SMERA B+ / Stable

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ABOUT SMERA

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