

Prithvi Innerwears: Assigned

Name of the Instruments	Amount (Rs Crore)	Rating/Outlook
Cash Credit	4.00	SMERA BB/Stable (Assigned)
Term Loan - I	0.04	SMERA BB/Stable (Assigned)
Term Loan - II	0.12	SMERA BB/Stable (Assigned)
Term Loan – II	0.14	SMERA BB/Stable (Assigned)
Term Loan (Proposed)	1.49	SMERA BB/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.5.79 crore bank facilities of Prithvi Innerwears. The outlook is '**Stable**'.

The rating draws support from the firm's experienced management, moderate financial risk profile, healthy revenue growth and comfortable liquidity position. However, the rating is constrained by the susceptibility of profit margin to volatility in raw material prices and exposure to intense competition in the textile industry.

Prithvi Innerwears, established in 2009, is a Tirupur-based partnership firm that manufactures innerwear. The firm benefits from its experienced management. Mr. Balan, the partner possesses two decades of experience in the textile industry.

The firm's financial risk profile is moderate marked by comfortable gearing (Debt-to-equity ratio) of 1.57 times and healthy interest coverage ratio (ICR) of 5.25 times. The firm has planned a capex of Rs.1.80 crore to be funded through a term loan of Rs.1.50 crore and the balance through partners' own funds. The financial risk profile continues to be comfortable. The revenue has grown from Rs.9.70 crore to Rs.33.50 crore during FY2012-13 to FY2015-16 (Provisional).

The comfortable liquidity position of the firm is evident from the ~75 per cent utilisation of working capital limits in the last six months. However, the margins registered a decline from 7.61 per cent in FY2012-13 to 5.94 per cent in FY2013-14 due to increase in raw material cost - cotton. The margins of the firm are susceptible to volatility in raw material prices. Further, the firm operates in a highly fragmented and competitive industry.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profitability
- Effective working capital management
- Future capex plans

Outlook-Stable

SMERA believes that Prithvi Innerwears will have a stable outlook and continue to benefit over the medium term from its promoters experience in the industry. The outlook may be revised to 'Positive' in case the firm registers healthy revenues and sustains profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in revenues and profit margins or deterioration in the financial risk profile on account of debt funded capex plans.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

Prithvi Innerwears, established in 2009, is a Tirupur (Tamil Nadu)-based partnership firm engaged in the manufacture of innerwear for men, women and kids. The factory, located at Tirupur has a production capacity of 15000 pieces per day (in house capacity).

For FY2014-15 (refers to financial year, April 01 to March 31), the firm registered profit after tax (PAT) of Rs.0.77 crore on operating income of Rs.24.06 crore as compared with profit after tax (PAT) of Rs.0.49 crore on operating income of Rs.15.21crore in FY2013-14.

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ABOUT SMERA

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