

Geena Garments: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Term Loan	2.14	SMERA BBB-/Stable (Assigned)
Stand by Limit	2.00	SMERA BBB-/Stable (Assigned)
Export Packing Credit/Packing Credit (EPC/PCFC)*	13.00	SMERA BBB-/Stable (Assigned)
Foreign Documentary Bills Negotiation (FDBN)*	5.00	SMERA BBB-/Stable (Assigned)
Long Term Proposed	4.86	SMERA BBB-/Stable (Assigned)

**Continuation of 50% interchangeability from EPC to FDBN (Non LC) limits and 100% interchangeability from FDBN (Non-LC) to EPC*

SMERA has assigned rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.27.00 crore long-term (fund-based) bank facilities of Geena Garments (GG). The outlook is '**Stable**'. For the rating process, SMERA has consolidated the business and financial risk profiles of Geena Garments (GG), Victus Dyeings (VD) and Print Tex India (PTI), together referred to as the Geena Group due to the common management, similarity in the line of business and operational synergies.

The rating derives comfort from the qualified and experienced management, above average financial risk profile and healthy growth in revenues. The rating also draws support from the well-established sales channel and diversified customer base. However, the rating is constrained by the working capital intensive operations, foreign exchange fluctuation risk and intense competition in the readymade garment industry.

The Geena Group benefits from its experienced management. The promoters, Mr. A. Laganathan, Mr. L. Dinesh Kumar and Mr. Mohan Shankar possess more than three decades of experience in the readymade garments industry. The group has above average financial profile reflected in the comfortable gearing of 0.42 times as on March 31, 2015 and interest coverage ratio of 3.60 times in FY2014-15 (refers to financial year, April 01 to March 31). The net worth stood at Rs.88.12 crore as on March 31, 2015, as compared with Rs.80.26 crore a year earlier. The net profit margin has been healthy at 3.96 per cent in FY2014-15.

The group's revenue has grown at a CAGR of ~26 per cent over a period of three years ending March 31, 2015 with combined revenue of Rs.243.05 crore for FY2015 on account of well-established sales channel and diversified customer base. The group has long term relations with wholesalers in Asia, Dubai and Africa that helps supply readymade garments to retailers across the globe. Further, the Geena Group achieved an operating income of ~Rs.260.00 crore in FY2015-16 (refers to financial year, April 01 to March 31).

The rating is constrained by the group's working capital intensive operations reflected by high utilisation of working capital limits. However, the net cash accruals stood healthy at Rs.14.06 crore as on March 31, 2015 with long term liability of Rs.9.42 crore in FY2014-15. The cash and bank balance stood at Rs.0.95 crore.

While the group faces foreign exchange fluctuation risk due to its business model, it has a robust hedging policy to minimise the same. Additionally, the readymade garments industry in India is highly fragmented with numerous unorganised players.

Rating Sensitivity Factors

- Scaling up operations while improving profit margins
- Effective working capital management

Outlook: Stable

SMERA believes that the Geena group will benefit from the extensive experience of the management. The outlook may be revised to 'Positive' in case the firm registers growth in revenue with improvement in profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of more than expected decline in profitability and revenue growth or if the firm registers further deterioration in its financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

Geena Garments, a proprietorship firm established in 1968 by Mr. A Loganathan was converted into a partnership firm in 1991. The firm is engaged in the manufacture and export of knitwear and readymade garments (RMG) to U.S.A, Spain, France among others. It is headed by partners, Mr. A. Laganathan, Mr. L. Dinesh Kumar and Mr. Mohan Shankar.

About the Group

The Tamil Nadu-based Geena Group incorporated in 1968 comprises three entities - Geena Garments (GG), Victus Dyeings (VD) and Print Tex India (PTI).

Victus Dyeings is a partnership firm established in 1993 by Mr. L. Mohan Shankar, Mr. L. Dinesh Kumar, Mr. A. Loganathan and Mr. L. Amudha. The firm exports RMGs to France, U.K and Europe and also undertakes dyeing and knitting on a job-work basis for Geena Garments and other RMG manufacturers.

Print Tex India, a partnership firm established in 1991 by Mr. A. Laganathan, Mr. L. Dinesh Kumar and Mr. Mohan Shankar undertakes printing work on a job-work basis for Geena Garments, Victus Dyeing, and other RMG manufacturers. The registered office is located at Tirupur, Tamil Nadu.

For FY2014-15, the Geena Group reported profit after tax (PAT) of Rs.9.62 crore on operating income of Rs.243.05 crore, as compared with PAT of Rs.8.84 crore on operating income of Rs.190.64 crore in FY2013-14. The group's net worth stood at Rs.88.12 crore as on March 31, 2015, as compared with Rs.88.12 crore a year earlier. Further, the Geena Group achieved an operating income of ~Rs.260.00 crore in FY2015-16 (refers to financial year, April 01 to March 31).

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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