

### Facctum Wears: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	3.50	SMERA BB/Stable (Assigned)
Packing Credit	0.75	SMERA A4+ (Assigned)
Post Shipment Credit	0.25	SMERA A4+ (Assigned)
Proposed Term loan	1.00	SMERA BB/Stable (Assigned)
Proposed Facilities	0.60	SMERA BB/Stable/A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Facctum Wears. The outlook is '**Stable**'. The ratings derive comfort from the extensive experience of the partners and healthy financial risk profile. The ratings also draw support from the efficient working capital management and reputed clientele. However, the ratings are constrained by the small scale of operations and susceptibility of profit margins to fluctuations in raw material prices and fluctuations in forex rates.

Facctum Wear, incorporated in 1996, is a Tirupur-based partnership firm that manufactures readymade garments. The partners, Mr. T Lakshmanan and Mr. K A Rengadurai, possess two decades of experience in the same line of business. Facctum Wears has a healthy financial risk profile marked by gearing of 0.95 times as on March 31, 2016 (provisional). The interest coverage ratio is comfortable and stands at 4.55 times in FY2016. The net worth stands at Rs.5.21 crore as on 31 March, 2016. The firm plans to set up a unit at Tirupur at a cost of Rs.2 crore to be funded equally through a term loan and partner's capital.

The working capital utilisation is comfortable. The gross current assets days are 115 days. The working capital cycle is 80 days for FY2016. Facctum Wears caters to reputed clients such as Reliance Trends and Lifestyle apart from local players.

Facctum Wear has moderate scale of operations, with operating income of Rs.19.43 crore in FY2015. The revenue improved to Rs.27.05 crore in FY2016 (provisional). However, the firm registered revenues of around Rs.15.00 crore as on 31 August, 2016 and has Rs.4 crore worth of orders from Reliance Trends. The operating margins of Facctum Wears are susceptible to volatile raw material prices. The operating margins have marginally declined from 8.95 percent in FY2015 to 8.13 percent in FY2016 (provisional). Besides, the firm also exports its products to Canada, USA and the Northern European region and hence is exposed to foreign exchange fluctuation risk.

### Rating Sensitivity Factors

- Scaling up operations while maintaining profitability margins
- Improvement in the financial risk profile.

### Outlook-Stable

SMERA believes that the outlook on Facctum Wears will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the firm's scale of operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial profile.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Firm**

The Tirupur-based Facctum Wears, established as a partnership firm in 1996 manufactures knitted garments. The firm caters to reputed customers such as Lifestyle International and Reliance Retail among others and also exports to Canada, USA and the Northern European countries. The firm has seven manufacturing units at Tirupur with installed capacity of 10,000 pieces of garments per day.

For FY2015-16 (provisional), Facctum Wears reported net profit of Rs.1.53 crore on operating income of Rs.27.05 crore as against net income of Rs.1.21 crore on operating income of Rs.19.43 crore in the previous year.

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**ABOUT SMERA**

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