

### Pathanjali Silks: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	10.00	SMERA B/Stable (Assigned)
Term Loan	6.75	SMERA B/Stable (Assigned)
Proposed (Fund/Non Fund)	3.00	SMERA B/Stable/SMERA A4 (Assigned)

SMERA has assigned long-term rating of **'SMERA B' (read as SMERA B)** and short-term rating of **'SMERA A4' (read as SMERA A four)** to the above mentioned bank facilities of Pathanjali Silks. The outlook is **'Stable'**. The rating is constrained by the limited track record of operations and stretched liquidity position. The rating also factors in the inherent risk of capital withdrawal due to the partnership constitution of the firm. However, the rating derives strength from the experienced management and growth in scale of operations.

Pathanjali Silks was established by Mr. A. M. Subramanian and Mr. A. M. S. Saravana in June, 2012. The firm's revenue stood at Rs.26.33 crore in FY2016 (Provisional) as against Rs.31.90 crore in FY2015 and Rs.25.65 in FY2014. It registered losses of Rs.0.63 crore in FY2016 (Provisional) and Rs.0.44 crore in FY2015 due to high depreciation cost. The rating also factors in the limited operational track record. Besides, the operations are working capital intensive with high GCA days of 217 and working capital cycle of 133 days as on March 31, 2016 (Provisional) as against GCA days of 210 and working capital cycle of 101 days in the previous year. Also, the partnership constitution of the firm is yet another factor that renders it vulnerable to withdrawal of capital and the same has been observed in the past.

However, Pathanjali Silks was established by Mr. A. M. Subramanian and Mr. A. M. S. Saravana in June, 2012. The partners have over a decades experience in the abovementioned line of business. The firm retails sarees and garments through its showroom at Madurai (Tamil Nadu) and has also invested in yet another showroom at Tiruchirappalli, Tamil Nadu.

### Rating Sensitivity Factors

- Scaling up operations
- Maintaining profitability
- Efficient working capital management
- Changes in financial risk profile

### Outlook-Stable

SMERA believes that Pathanjali Silks will maintain a stable outlook and benefit from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected revenue and profit margins. Conversely, the outlook may be revised to 'Negative' in case of further stretch in profit margins and deterioration in the financial risk profile.

### Criteria applied to arrive at the rating:

- Trading Entities

## About the Firm

Pathanjali Silks, established in 2012 by Mr. A. M. Subramanian and Mr. Saravana is engaged in the retail of sarees and ready-made garments through its showrooms at Madurai and Tiruchirappalli.

For FY2015–16 (Provisional), the firm reported profit after tax (PAT) of Rs. (0.63) crore on operating income of Rs.26.33 crore, as compared with net profit of Rs. (0.44) crore on operating income of Rs.31.90 crore in FY2014–15. The net worth stood at Rs.7.68 crore as on 31 March, 2016 (Provisional) as compared with Rs.8.26 crore a year earlier.

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## ABOUT SMERA

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