

Shaligram and Sons: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	1.44	SMERA B-/ Stable (Assigned)
Term Loan	2.18	SMERA B-/ Stable(Assigned)
Proposed Term Loan	3.93	SMERA B-/ Stable(Assigned)

SMERA has assigned long term rating of **'SMERA B-' (read as SMERA B minus)** on the above mentioned Rs.7.55 crore bank facilities of Shaligram and Sons (Shaligram). The outlook is **'Stable'**.

The rating is constrained by the small scale of operations, low profitability, weak financial risk profile and liquidity position. The rating also factors in the debt funded capex plan and the highly competitive and fragmented textile industry. However, the rating draws comfort from the established track record of operations and experienced management.

Shaligram has small scale of operations marked by operating income of Rs.3.10 crore in FY2015-16 as against Rs.2.97 crore in FY2014-15. The operating margin declined to 18.35 per cent in FY2015-16 from 24.74 per cent in FY2014-15. The firm incurred net losses of Rs.0.76 crore in FY2015-16. The gearing (total debt to equity ratio) has been comfortable at 0.82 times as on March 31, 2016. The interest coverage ratio stood low at 1.32 times in FY2015-16 as against 2.65 times in FY2014-15.

The firm plans to install 16 looms to manufacture grey cloth at a project cost of Rs.6.44 crore to be funded through a term loan of Rs.3.93 crore and promoter contribution of Rs.2.51 crore. The operations are expected to commence from February 2017. Notwithstanding the benefits, the debt funded capex is likely to have an adverse impact on the profitability, gearing and coverage indicators of the firm. The rating also factors in the intense competition in the highly fragmented weaving industry.

Shaligram, a partnership firm established in 1979 is engaged in the manufacture of grey cloth on job work basis. The promoter, Mr. Govindram Oza possesses over three decades of experience in the textile industry.

Rating Sensitivity Factors

- Increase in scale of operations and profitability
- Improvement in the financial risk profile

Outlook: Stable

SMERA believes that the outlook for Shaligram will remain Stable over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue while improving its profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in the capital structure.

Criteria applied to arrive at the rating:

- Manufacturing entities

About the Firm

Shaligram was established as a partnership firm in 1979 by Mr. Govindram Oza and others. The firm is engaged in the manufacture of grey cloth on job work basis at Boisar, Thane.

For FY2015-16, Shaligram reported net loss of Rs.0.76 crore on operating income of Rs.3.10 crore as compared with profit after tax of Rs.0.33 crore on operating income of Rs.2.97 crore in the previous year.

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ABOUT SMERA

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