

Press Release

Textile Solutions

March 21, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 20.00 crore bank facilities of Textile Solutions. The outlook is '**Stable**'.

The Mumbai-based Textile Solutions (TS), established in 2014 is a partnership firm promoted by Mr. Subash Kedia and Mr. Jagpat S. Lodha. The firm is engaged in the manufacturing and trading of grey cloth.

Key Rating Drivers

Strengths

- **Experienced management**

The Partners, Mr. Subhash Kedia and Mr. Jagpat S. Lodha have more than two decades of experience in the textile industry.

- **Growth in revenue with stable operations**

The revenue of the firm increased from Rs.86.40 cr in FY2014-15 to Rs.146.21 cr in FY2015-16. Further, the EBIDTA margins improved from 2.75 per cent in FY2014-15 to 3.11 per cent in FY2015-16.

Weaknesses

- **Limited track record of operations**

Since commercial operations started only in August 2014, the firm has limited track record of operations.

- **Average financial risk profile**

The firm's financial risk profile is average marked by high gearing of 9.55 times as on March 31, 2016 and moderate interest coverage ratio of 1.85 times in FY2015-16. Further, TOL/TNW stood at 16.22 times as on March 31, 2016.

- **Intense competition**

The firm operates in a highly competitive textile industry with several organised and unorganised manufacturers and traders of grey cloth.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the outlook on TS' rated facilities will remain stable over the medium term. The

outlook may be revised to Positive in case the firm generates healthy cash flows from operations. Conversely, the outlook may be revised to Negative in case of failure in generating cash flows due to intense competition in the region.

About the Rated Entity - Key Financials

For FY2015-16 the firm registered profit after tax (PAT) of Rs.1.34 cr on operating income of Rs.146.21 cr as compared to PAT of Rs.1.37 cr on operating income of Rs.86.40 cr for FY2014-15. The networth stood at Rs.1.41 cr as on March 31, 2016 as against Rs.14.69 cr as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA B+ / Stable

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market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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