

Press Release

Giriraj Spintex Private Limited (GSPL)

25 July, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.6.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.6.00 crore bank facility of Giriraj Spintex Private Limited (GSPL). The outlook is '**Stable**'.

The Rajasthan-based, Giriraj Spintex Private Limited (GSPL) is engaged in the manufacturing of textile products such as suitings, pants, jeans among others.

Strengths

Experienced management and long operational track record: The company was incorporated in 2000 by Mr. Prakash Laddha, Mr. Subhash Laddha, and Mr. Vishal Laddha. The management possesses experience of over a decade in the textile industry.

Moderate scale of operations: GSPL booked revenue of Rs.30.64 crore in FY2015-16 compared to Rs.30.33 crore in FY2014-15. Further, the company booked revenue of ~Rs.27.00 crore as on 31 March, 2017.

Weaknesses

Declining operating margin: GSPL's operating margins have shown a declining trend in the past. The EBITDA margins decreased from 5.75 percent in FY2015 to 5.00 percent in FY2016.

Average financial risk profile: The financial risk profile is average marked by net worth of Rs.4.29 crore as on 31 March 2016. The gearing stood at 2.38 times as on 31 March, 2016 compared to 2.15 times as on 31 March, 2015. The interest coverage declined from 1.52 in FY2015 to 1.47 times in FY2016. The DSCR also fell from 1.11 times in FY2015 to 1.04 in FY2016.

Intense market competition and fragmented nature of business: GSPL operates in a fragmented industry and is exposed to intense market competition.

Analytical approach: Standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities : <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that GSPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability while maintaining a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of fall in revenues, profitability, or if the company registers deterioration in its financial risk profile.

About the rated entity

For FY2015-16, GSPL reported PAT of Rs.0.01 crore on operating income of Rs.30.64 crore as against PAT of Rs.0.03 crore on operating income of Rs.30.33 crore for FY2014-15. The net worth stood at Rs.5.20 crore as on 31 March, 2016 compared to Rs.5.32 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: NA

*Annexure - Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	6.00	SMERA B+/Stable (Assigned)

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