



Press Release

G M S Processors Private Limited

July 26, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 23.00 crore bank facilities of G M S Processors Private Limited. The outlook is '**Stable**'.

The Tamil Nadu based GMS Processors Private Limited (GPPL) is engaged in the dyeing of fabrics. Established by Mr. Govind C Karani and others, the company has capacity of 22 tonnes per annum.

Key Rating Drivers

Strengths

• Experienced management

GPPL was incorporated in 2002 by Mr. Govind C Karani, Mr. Srirangasamy Selvakumar and Mr. Sharan Karnani. The promoters have experience of almost three decades in the textile industry.

• Healthy financial riskprofile

The financial risk profile is healthy marked by net worth of Rs.14.99 crore as on 31 March, 2017 (Provisional) compared to Rs. 13.09 crore as on 31 March, 2016. The gearing stood at 0.45 times as on 31 March, 2017 (Provisional) compared to 0.53 as on 31 March, 2016. The interest coverage ratio (ICR) stood at 4.57 times in FY2017 (Provisional) as against 6.92 times in the previous year. The debt service coverage (DSCR) stood at 1.51 times in FY2017 (Provisional) compared to 2.04 times in FY2016. SMERA believes that the gearing will deteriorate marginally in the medium term on account of additional debt funded capex (new water treatment plant). The plant is expected to reduce the manufacturing cost and increase margins.

• Reputed clientele

GPPL has developed long term relations with its customers over the years. The reputed client base includes Page Industries Limited, Loocust Incorp Apparel Export Pvt Ltd and Shahi Export Private Limited.

Weaknesses

• Moderate scale ofoperations

GPPL has moderate scale of operations marked by revenue of Rs.35.53 crore in FY2017 (Provisional) compared to Rs.32.68 in FY2016. The operating margins declined to 12.51 percent in FY2017 (Provisional) from 20.33 per cent in FY2016. SMERA expects the margins to improve in the medium term on account of reduction in manufacturing cost. This is owing to the new water treatment plant expected to be operational in FY2018.

• Competitive and fragmentedindustry

The company operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

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

Outlook: Stable

SMERA believes that GPPL will continue to maintain a stable outlook over the medium term owing to the extensive experience of its promoter. The outlook may be revised to 'Positive' in case of substantial increase in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in working capital cycle that weakens the financial risk profile, particularly liquidity.

About the Rated Entity - Key Financials

The company reported profit after tax (PAT) of Rs. 1.90 crore on net sales of Rs. 35.53 crore in FY2017 (Provisional) as against PAT of Rs.2.70 crore on net sales of Rs.32.68 crore in FY2016. The net worth stood at Rs. 14.99 crore as on 31 March 2017 (Provisional) compared to Rs.13.09 crore in the previous year.

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	2.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.70	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.27	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.31	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.14	SMERA BB- / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	1.46	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.14	SMERA A4+
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	14.05	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.33	SMERA BB- / Stable

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ABOUT SMERA

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