

Press Release

Shukrana Impex Private Limited (SIPL)

31 July, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.5.00 Crore
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.5.00 crore bank facilities of Shukrana Impex Private Limited (SIPL).

Analytical approach: While assigning the rating, SMERA has consolidated the operational and financial risk profiles of Sartaj International (SI) and Shukrana Impex Private Limited (SIPL). The consolidation is in view of the common management, similarities in the lines of business as well as substantial financial linkages. The group is referred to as the Sartaj Group (SG).

Shukrana Impex Private Limited (SIPL) incorporated in July 2005 is a government recognised export house based in Delhi. The company is engaged in the manufacturing and export of readymade garments at Gurgaon and has installed capacity of ~9 lakh pieces per annum. SIPL procures raw material from Delhi and Uttar Pradesh and exports its products to Dubai, U.S.A, Europe and South America.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters and established relationships with marquee customers: The group is led by Mr. Jasjit Singh Chhabra and Mrs. Jyoti Singh Chhabra who possess experience of almost three decades in the textile industry. Since its inception, the group has been catering to reputed customers such as The Inditex Group, Custo Barcelona, Desigual and Calvin Klein among others.

Stable growth in revenue: The group reported operating income of Rs. 90.99 crore in FY2016-17 (Provisional) against Rs. 75.30 crore in FY2015-16 on the back of its experienced management and longstanding relationship with various marquee clients. SG is expected to report sustained growth in its scale of operations over the medium term. SMERA believes that SG's ability to leverage its relationship with such clients shall be instrumental in maintaining a stable credit risk profile.

Weaknesses:

Average financial risk profile: The financial risk profile of the group is characterised by relatively low networth, modest gearing and debt protection measures. The networth base stood at Rs.9.15 crore as on 31 March, 2017 (Provisional) compared to Rs.8.70 crore as on 31 March, 2016. The gearing of the group stood at a moderate 1.80 times as on 31 March, 2017 (Provisional) compared to 2.22 as on 31 March, 2016. The total debt includes working capital limit of Rs.16.43 crore. The interest coverage of the group stood at 1.63 times in FY2017 (Provisional) as against 1.46 times in the previous year. The net cash

accruals to total debt (NCA/TD) stood at 0.06 times in FY2017 (Provisional) compared to 0.04 times in FY2016.

Risk related to economic conditions of the export countries: The group is engaged in the manufacturing of garments and exports the same to USA, Spain, Italy, France, etc. thereby exposing itself to risks related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact orders inflow.

Working capital intensive business: The working capital cycle is stretched – evident from the high gross current assets (GCAs) of 206 days in FY2016-17 (Provisional) compared to 260 days in FY2015-16. The high GCA days in FY2017 are on account of high inventory and debtor days of 45 and 141 respectively. This in turn continued to weigh down on SG's liquidity position resulting in high average bank limit utilisation in excess of 90 per cent.

SMERA believes that SG's ability to manage its working capital requirements over the near to medium term shall be instrumental in improving its overall credit risk profile.

Applicable Criteria

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

About the rated entity – Key Financials

For FY2017 (Provisional), the firm reported profit after tax (PAT) of Rs.0.38 crore on operating income of Rs.34.50 crore compared with PAT of Rs.0.37 crore on operating income of Rs.36.70 crore in FY2016. The net worth stood at Rs.6.02 crore as on 31 March, 2017 (Provisional) against Rs.5.97 crore a year earlier.

About the Group

The group was established in 1990 with the setting up of Sartaj International as the flagship entity. Shukrana Impex Private Limited was incorporated in 2005. The group was promoted by Mr. Jasjit Singh Chhabra and Mrs. Jyoti Singh Chhabra and is engaged in the manufacturing and export of readymade garments.

Sartaj International (SI) established in 1990, is a Gurgaon-based proprietorship firm promoted and managed by Mr. Jasjit Singh Chhabra. The firm is engaged in the manufacturing, trading and export of readymade garments.

For FY2017, (Provisional) the group reported profit after tax (PAT) of Rs.0.88 crore on operating income of Rs.90.99 crore, compared to PAT of Rs.0.63 crore on operating income of Rs.75.30 crore in FY2016. The net worth stood at Rs.9.15 crore as on 31 March, 2017 (Provisional) against Rs.8.70 crore a year earlier. The net worth of Rs.9.15 crore in FY2017 includes quasi equity of Rs.1.27 crore.

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

Any other information: Not Applicable

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Post Shipment Credit	N.A	N.A	N.A	5.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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