

Press Release

Siva Sakthi Baby Garments Private Limited (SSBGPL)

24 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.5.55 Cr.
Long Term Rating	SMERA B+/Outlook: 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. 5.55 crore bank facilities of Siva Sakthi Baby Garments Private Limited. The outlook is '**Stable**'.

Siva Sakthi Baby Garments Private Limited (SSBGPL) a partnership concern established in 2002 was converted to a private limited company in 2012. The company is engaged in the sale of products targeted at mothers and babies under the brand name 'Born Babies'. The daily operations are led by Mr. S. S. Kanagaraj and Mr. K. G. Thirugnanaselvam.

Key rating drivers

Strengths

Experienced management with established track of operations: The day-to-day operations are led by Mr. S. S. Kanagaraj and Mr. K. G. Thirugnanaselvam, who have around 18 years of experience in retail and textile industries.

Wide geographic presence, diversified product offerings: The company has 32 outlets spread across Chennai, Hyderabad, Bangalore, Coimbatore and Cochin offering diverse range of products.

Weaknesses

Average financial risk profile: The average financial risk profile is marked by low net worth, comfortable gearing levels and moderate debt protection metrics. The net worth levels improved to Rs.6.21 crore as on 31 March, 2017 from Rs.5.74 crore a year earlier due to retention of profits and infusion of promoter's equity of Rs.0.30 crore in the business. The gearing levels increased to 0.72 times in FY2017 from 0.60 times in FY2016 due to increase in working capital limits. However, the gearing levels continue to be at comfortable levels. The total debt majorly consists of working capital borrowings. The Interest Coverage indicators stood at 2.00 times in FY2017 compared to 1.90 times in FY2016. The NCA/TD decreased to 0.15 times in FY2017 from 0.17 times in FY2016.

Intense market competition: The company faces intense competition from branded outlets such as Mom & Me (Mahindra), First Cry (Mahindra), Chicco and others.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SSBGPL to arrive at the rating.

Outlook: Stable

SMERA believes that SSBGPL will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of growth in revenue and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.04	17.28	15.33
EBITDA	Rs. Cr.	1.68	1.50	0.86
PAT	Rs. Cr.	0.17	0.11	0.08
EBITDA Margin	(%)	9.32	8.71	5.61
PAT Margin	(%)	0.93	0.62	0.54
ROCE	(%)	11.76	12.45	9.56
Total Debt/Tangible Net Worth	Times	0.72	0.59	0.66
PBDIT/Interest	Times	2.00	1.90	2.18
Total Debt/PBDIT	Times	2.66	2.27	3.38
Gross Current Assets (Days)	Days	233	222	207

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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>

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

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.95	SMERA B+/ Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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