

## Press Release

Sara Creation Inc (SCI)

April 11, 2018

Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.00 Cr.
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

## Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.00 crore bank facilities of Sara Creation Inc.

SCI, established in 2002, engaged in the manufacturing of Readymade Garments. The partners Mr. Krishan Kumar Saklani and Mr. Easow Mathew have more than three decades of experience in the textile industry. The firm has 4 manufacturing unit located at Noida having capacity of 18 lacs pieces per year.

## Key Rating Drivers

### Strengths

- **Long track record of operations and experienced management**

SCI was established as a partnership firm in 2002 by Mr. Krishan Kumar Saklani and Mr. Easow Mathew. The partners have more than three decades of experience in the textile industry. Also, the firm has track record of 16 years and has established relationships with the suppliers & customers.

- **Low utilization of bank facilities**

The average utilization of working capital facilities for the six months ending January, 2018 by SCI was rather low at 37.20 percent. However the creditor days increased to 283 days in FY2017 compared to 183 days in FY2016.

- **Moderate Financial Risk Profile**

The net worth of SCI was Rs. 5.53 crore as on March 31, 2017 as against Rs. 4.32 crore as on March 31, 2016. The debt-equity was 1.35 times as on March 31, 2017 and 1.40 times as on March 31, 2016. ICR (Interest Coverage Ratio) stood healthy at 3.17 times for FY2017 and FY2016.

### Weaknesses

- **Declining Sales and intense competition in the industry**

The sales of the firm have been declining continuously over the last three years from Rs. 37.92 in FY2015 to Rs. 28.52 in FY2016 to Rs. 22.64 in FY2017. SCI operates in a highly competitive segment of the industry with a large number of players which limits the profit margins.

- **Foreign exchange fluctuation Risk**

The firm is a 100 percent export unit and is exposed to foreign exchange fluctuation risk. Although the firm has availed term loan in foreign currency helps in natural hedging.

## Analytical Approach

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

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.64	28.52	37.92
EBITDA	Rs. Cr.	1.64	1.85	1.69
PAT	Rs. Cr.	0.34	0.81	1.00
EBITDA Margin	(%)	7.25	6.47	4.46
PAT Margin	(%)	1.50	2.84	2.63
ROCE	(%)	10.29	16.33	39.27
Total Debt/Tangible Net Worth	Times	1.35	1.40	0.84
PBDIT/Interest	Times	3.17	3.17	5.58
Total Debt/PBDIT	Times	4.53	3.29	1.75
Gross Current Assets (Days)	Days	122	86	82

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

Not Applicable

### 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 (Up to 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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

## Contacts

Analytical	Ratings Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a></p> <p>Ayushi Rathore Analyst - Rating Operations Tel: 022-67141336 <a href="mailto:ayushi.rathore@smera.in">ayushi.rathore@smera.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital 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](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.