

March 03, 2016

| Facility | Amount (Rs. Crore) | Rating |
|-----------------------|-----------------------|---|
| Foreign Bill Purchase | 7.50 | SMERA A4+ (Upgraded from SMERA A4) |

SMERA has upgraded the short term rating on the Rs.7.50 crore bank facility of Sreekumaar Texind Corporation (STC) to '**SMERA A4+** (read as **SMERA A four plus**) from '**SMERA A4**' (read as '**SMERA A four**'). The rating upgrade reflects improvement in the financial risk profile marked by healthy coverage, improved gearing and comfortable liquidity. The rating continues to draw comfort from the experienced management and healthy revenue growth. However, the rating is constrained by the susceptibility of profit margins to fluctuations in raw material prices and intense competition in the textile industry.

Update:

The firm reported operating revenue of Rs.48.04 crore in FY2015 (refers to financial year, April to March) indicating revenue growth of ~39 per cent over operating revenue of Rs.34.42 crore in FY2014. The interest coverage ratio improved from 3.26 times to 4.54 times in FY2015 while gearing level has been low at 0.77 times in FY2015 as compared to 1.15 times in FY2014. Also, STC's comfortable liquidity position is reflected in the low utilisation (47 percent) of FBD limit from September 2015 to January 2016. The firm continues to benefit from its experienced management. Mr. Ramaswamy and Mr. Senthil Kumar, partners, have around two decades of experience in the firms line of business.

Rating Sensitivity Factors

- Scaling up of operations and sustaining profitability
- Effective working capital management

About the Firm

STC, established in 1992 is a Chennai-based firm promoted by Mr. A. Ramaswamy and Mr. Senthil Kumar. The firm undertakes manufacturing and export of readymade garments (cotton woven shirts for men and women).

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