

April 15, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB-/Stable (Assigned)
Packing Credit	2.25	SMERA A4+ (Assigned)
Letter of Credit	1.75	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Suvastra India (SI). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management, strong revenue growth and comfortable interest coverage ratio. However, the ratings are constrained by the firm's short track record of operations and moderate gearing. The ratings note that the firm's profit margins are susceptible to forex fluctuation risk. The ratings are also constrained by the firm's exposure to intense competition in the textile industry.

SI, established in 2010, is a Bangalore-based partnership firm engaged in manufacturing and export of readymade garments. SI benefits from its experienced management. Mr. Karthigeyan, managing partner of SI, has around two decades of experience in the textile industry. SI has registered strong revenue growth during the period under study. The firm's revenue increased from Rs.9.76 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.18.85 crore in FY2013-14. SI's interest coverage ratio is comfortable at 4.42 times in FY2013-14.

SI's gearing (debt-to-capital ratio) is moderate at 2.54 times as on March 31, 2014. The firm faces intense competition from several players in the textile industry. SI derives ~70 per cent of its revenues from exports; the firm's profit margins are thus susceptible to forex fluctuation risk.

Outlook: Stable

SMERA believes SI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while achieving sustained improvement in profitability and financial risk profile. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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About the firm

SI, established in 2010, is a Bangalore-based partnership firm promoted by Mr. Karthigeyan. SI is engaged in manufacturing of readymade garments.

For FY2013-14, SI reported profit after tax of Rs.1.18 crore on total income of Rs.18.85 crore, as compared with profit after tax of Rs.0.37 crore on total income of Rs.9.76 crore in FY2012-13. The firm's capital stood at Rs.1.66 crore as on March 31, 2014, as compared with Rs.0.27 crore a year earlier.

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