



SMERA RATINGS LIMITED

Freemans Measures Private Limited (FMPL)

*Rating
Rationale*

May 14, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.35	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Cash Credit	7.45	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Overdraft	1.80	SMERA B+/Stable (Upgraded from SMERA B/Stable)

SMERA has upgraded the ratings on the Rs.10.60 crore bank facilities of Freemans Measures Private Limited (FMPL) to '**SMERA B+ (read as SMERA B plus)**' from 'SMERA B' (read as SMERA B). The outlook is '**Stable**'. The rating upgrade is in view of the company's improved debt protection metrics and moderately low gearing. The ratings continue to draw comfort from the established track record of operations and experienced management. However, the ratings are constrained by the modest scale of operations in an intensively competitive segment of the measuring tape industry and working capital intensive business. The ratings are also constrained by the susceptibility of margins to raw material price fluctuations and forex fluctuation risk.

Update

FMPL revenues have remained almost stagnant in FY2014-15 (refers to financial year, April 01 to March 31) at Rs.26.79 crore compared to Rs.25.05 crore in FY2013-14. Further, the company has earned gross revenues of around Rs.30.18 crore (provisional) in FY2015-16.

The company's overall gearing (debt-equity ratio) is moderate at 1.44 times as on March 31, 2015. The interest coverage ratio and debt coverage ratio stand comfortable at 2.04 and 1.65 times respectively in FY202014-15. However, the Gross Current Asset (GCA) days stand high at around 287 mainly on account of high inventory holding of 185 days in FY2015. Further, there is high utilisation (99 per cent) of working capital limit during November, 2015 to March, 2016 indicating working capital intensive operations.

Rating Sensitivity Factors

- Scaling up revenues while increasing profitability
- Efficient working capital management

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Outlook: Stable

SMERA believes that the outlook on FMPL's rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while achieving significant improvement in financial risk profile especially liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues or profitability or deterioration in the financial risk profile.

About the Company

FMPL, established in 1984, is a Ludhiana-based company promoted by Mr. Samir Nayyar. The company is engaged in the manufacture of measuring tapes.

For FY2014-15, FMPL reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.26.79, as compared to PAT of Rs.0.26 crore on an operating income of Rs.25.05 crore in FY2013-14.

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