

November 11, 2013

Facilities	Amount (Rs. Crores)	Ratings
Foreign Documentary Bills Negotiation (FDBN/FDBP/FDBD)	3.00	SMERA D (Assigned)
Packing Credit Limit	4.00	SMERA D (Assigned)
Term Loan - I	0.23	SMERA D (Assigned)
Term Loan - II	0.21	SMERA D (Assigned)
Term Loan - III	1.27	SMERA D (Assigned)

SMERA has assigned a rating of '**SMERA D**' (read as SMERA single D) to the Rs.8.71 crores bank facilities of Capital Clothing Company (CCC).

The rating reflects the CCC's weak financial profile marked by ongoing delays in debt servicing, high leverage, low interest coverage indicators and diversion of funds. The rating also factors, CCC's susceptibility to volatility in raw material prices and intense competition prevalent in the garment industry.

CCC manufactures knitwear garments which are exported to Europe and USA. The firm has a moderate scale of operations with declining revenues. Revenue has declined from Rs. 20.47 crores in FY 2011-12 to Rs. 17.39 crores in FY 2012-13, on account of slowdown in the European markets. CCC underwent capex during FY2011-12 with addition of factory building and machinery by utilizing working capital limit for creation of fixed assets.

CCC is a small player in a highly fragmented textile industry, which limits its pricing power. Moreover, the firm's profitability is susceptible to volatility in cotton prices. Capital Clothing has weak debt protection metrics with low interest coverage of 1.57 times and high leverage at 3.51 times as on March 31, 2013 (provisional).

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### About the firm

CCC was established in 2008 as a proprietorship concern by Mrs. H. Farzana with overall operations managed by Mr. Harun Rasheeth (Chief Executive Officer) and Mrs. H. Farzana.

CCC is engaged in manufacturing and export of knitwear garments. The firm has two factory units in Tirupur, Tamil Nadu.

As per the provisional financials of FY2012-13, the firm reported net profit of Rs.0.35 crores on total income of Rs.17.39 crores as compared with net profit of Rs.0.31 crores on total income of Rs.20.47 crores in FY2011-12.

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