

July 31, 2013

Facility	Amount (Rs. Crores)	Rating
Cash Credit	8.00	SMERA D/Assigned

SMERA has assigned a rating of '**SMERA D**' (read as **SMERA D**) to the Rs.8.00 crores long term facility (fund based) of Romantic Garments (RG). The rating is constrained by the firm's stressed liquidity position marked by overdrawing in the cash credit account. The rating is further constrained by the firm's poor quality receivables resulting from the strained financial profile of its principal customer, which accounted for ~80 per cent of the total revenues in FY2011-12 (refers to financial year, April 01 to March 31). Owing to a stretched liquidity position and poor quality of account receivables, RG's account has been declared as a Non Performing Asset (NPA) for its term loan obligations with a financial institution. RG has an experienced management.

Established in 1998, RG undertakes manufacturing and job work of garments. In FY2011-12, RG's principal customer scaled back its operations on account of delays in receivables from overseas clients. This consequently affected RG's revenues, which declined from Rs.13.91 crores in FY2010-11 to Rs.8.84 crores in FY2011-12. RG provided advances worth Rs.8.00 crores to its principal customer (in an attempt to aid the customer's liquidity crunch) in FY2011-12.

Poor quality receivables have exerted significant strain on RG's liquidity position. RG's account has been declared as a NPA with a financial institution. RG has now started catering to other domestic customers on job work basis.

About the firm

RG was established in 1998 as a proprietorship firm by Mr. D Venkatesan. RG undertakes manufacturing and job work of garments. Owing to the financial stress faced by its principal customer, RG discontinued its labour intensive operations from FY2012-13, thereby reducing the headcount from 500 employees in FY2011-12 to ~100 employees at present.

In FY2011-12, RG reported net profit of Rs.0.06 crores on total income of Rs.8.84 crores as compared with net profit of Rs.0.27 crores on total income of Rs.13.91 crores in FY2010-11.

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