

APRIL 12, 2016

CARE ASSIGNS 'CARE B+' RATINGS TO THE BANK FACILITIES OF SAKA EMBROIDERY PRIVATE LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	11.77	CARE B+ (Single B plus)	Assigned
Total Facilities	11.77 (Rupees Eleven crore seventy seven lakh only)		

Rating Rationale

The rating assigned to the bank facilities of Saka Embroidery Private Limited (SEPL) is constrained on account of moderate scale of operations, limited value addition and fragmented nature of the domestic readymade garment industry. The rating is further constrained due to working capital intensive nature of operations inherent to the trading nature of business.

The above weaknesses are partially offset by the established presence of SEPL of 16 years with wide experience of promoters in the garment trading business and moderate profitability margins. The rating further takes into account locational advantage enjoyed by the company with retail shops located in prime commercial area of Pune (Maharashtra) along with robust demand for readymade apparels.

The ability of the company to manage its working capital needs efficiently, while improving its scale of operations are the key rating sensitivities.

Background

Established in 1999 by Mr Satish Rathod and his family members, SEPL is a wholesaler as well as a retailer of sarees and dress materials based in Pune (Maharashtra). The company deals in sarees and dress materials procured primarily from Surat, Varanasi and Indore and distributes in Maharashtra, Madhya Pradesh and Chhattisgarh with 70% of the total revenue being generated from the state of Maharashtra. SEPL's customer profile is fragmented with major customers comprising of Kasat Exclusive (Pune), Peshwai Creations (Pune), Shriman-Shrimati Sadiya (Aurangabad) and Devasree Silk (Kolhapur). The company also owns two retail stores in Pune under the brands SK Silks and Pushpa Arts at Narayan Peth in Pune that sell goods supplied by SEPL. The two retail stores are operated under two sole proprietorships of the same name which are owned and managed by SEPL. Sales from these retail stores formed around 20% of the total sales in FY15 (refers to the period April 1 to March 31) while remaining 80% of sales were contributed by wholesale trading. SEPL operates through an owned warehouse at Narayan Peth in Pune having area 2,000 square feet. During FY15, the company registered total revenue of Rs.18.72 crore with PBILDT of Rs.2.17 crore and PAT of Rs.0.16 crore in FY15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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