

APRIL 19, 2016

CARE ASSIGNS 'CARE BB-/CARE A4' RATINGS TO THE BANK FACILITIES OF SRIYANSH KNITTERS

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	11.50	CARE BB- (Double B Minus)	Assigned
Short-term Bank Facilities	1.50	CARE A4 (A Four)	Assigned
Total Facilities	13.00 (Rupees Thirteen crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Sriyansh Knitters (SK) are constrained by its small scale of operations, weak debt coverage indicators and working capital intensive nature of operations. The ratings are further constrained by susceptibility of the profitability margins to raw material price volatility, competitive & fragmented nature of the industry and constitution of the entity being a partnership firm. The ratings, however, derive strength from the experience of the partners, increasing scale of operations, favourable location of manufacturing unit along with long & established relationship with customers.

Going forward, the ability of the firm to profitably scale up its operations while managing the working capital requirements efficiently and improving its solvency position will remain the key rating sensitivities.

Background

SK is a partnership firm established in 1967 and promoted by Mr Dinesh Kumar and his four family members with the five partners having equal profit/ loss sharing ratio. The firm is engaged in the trading of textile products and also manufacturing of readymade garments. The firm has a manufacturing unit in Ludhiana which has nine knitting machines having a combined capacity of 6 lakh garments per annum.

SK reported a PAT of Rs. 0.59 crore on a total income of Rs.58.25 crore in FY15 (refers to the period April 01 to March 31) as against a PAT of Rs. 0.52 crore on a total income of Rs.50.72 crore in FY14. In 10MFY16 (Prov.), SK has achieved a total operating income of ~Rs.58 crore.

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

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

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