

Scotts Garments Limited

April 10, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities-Term Loan	41.49 (reduced from 69.22)	CARE D (Single D)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Short-term Bank Facilities-Fund-based	429.73 (enhanced from 377.00)	CARE D (Single D)	Revised from CARE A4 (A Four)
Short-term Bank Facilities-Non-fund-based	40.30 (reduced from 65.30)	CARE D (Single D)	Revised from CARE A4 (A Four)
Total facilities	511.52 (Rupees Five Hundred Eleven crore and Fifty Two lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating of the bank facilities Scotts Garments Limited (SGL) is on account of the delays in debt servicing by the company owing to stretched liquidity position affecting its financial and operational performance.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in debt servicing by the company: The company is facing liquidity issues with weak cash accruals and high working capital requirement leading to company's liquidity position remaining stretched and resulting in delays in debt servicing.

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios: Non-Financial sector](#)

[Short term instruments](#)

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

About the Company

SGL is engaged in manufacture and exports of readymade garments. Company produces knitted, woven and denim garments for both genders across all ages. The company had an installed capacity of 315.18 lakh pieces per annum spread across units in Karnataka and Tamilnadu. SGL enjoys long standing relationship with several reputed clients across several global markets attributable to its long standing presence in the industry.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	753.73	666.97
PBILDT	104.20	74.85
PAT	7.79	10.06
Overall gearing (times)	1.66	1.67
Interest coverage (times)	1.85	1.86

A: Audited

Status of non-cooperation with previous CRA: ICRA has suspended the rating assigned to SGL vide its press release dated June 25, 2012 in the absence of requisite information

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

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September 2020	41.49	CARE D
Fund-based - ST-Working Capital Limits	-	-	-	429.73	CARE D
Non-fund-based - ST-BG/LC	-	-	-	40.30	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	41.49	CARE D	-	1)CARE BB; Stable (22-Mar-18)	1)CARE BBB; Stable (08-Feb-17) 2)CARE BBB; Stable (13-Jan-17)	1)CARE BBB (04-Feb-16)
2.	Fund-based - ST-Working Capital Limits	ST	429.73	CARE D	-	1)CARE A4 (22-Mar-18)	1)CARE A3+ (08-Feb-17) 2)CARE A3+ (13-Jan-17)	1)CARE A3+ (04-Feb-16)
3.	Non-fund-based - ST-BG/LC	ST	40.30	CARE D	-	1)CARE A4 (22-Mar-18)	1)CARE A3+ (08-Feb-17) 2)CARE A3+ (13-Jan-17)	1)CARE A3+ (04-Feb-16)

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