



## Rating Rationale

Sangotra Fashions Private Limited

19th June 2017

**Brickwork Ratings assigns the rating for the Bank Loan Facilities of Rs 9.50 Crores of Sangotra Fashions Private Limited, Mumbai**

### Particulars

Facility	Amount (Rs Cr)	Tenure	Rating
Packing Credit	7.00	Long Term	<b>BWR BB+</b> [BWR Double B Plus] (Outlook: Stable)
Proposed Packing Credit	2.50		
Post Shipment Credit-FDB/FBE	(3.00)	Short Term	<b>BWR A4+</b> [BWR A Four Plus]
<b>Total</b>	<b>9.50</b>	<b>(INR Nine Crores and Fifty Lakhs Only)</b>	

*\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings*

Note: FDB: Foreign Drawn Bill; FBE: Foreign Bill of Exchange: The Post Shipment Limit in the form of FDB and FBE are sub limits of Packing Credit limit of Rs 9.50cr.

### Rating Assigned

Brickwork Ratings have assigned the rating for Bank Loan facilities amounting to Rs. 9.50 Crores of Sangotra Fashions Private Limited (“SFPL” or the “Company”), Mumbai availed from Canara Bank as detailed in the table above.

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY14, FY15 & FY16 of Sangotra Fashions Private Ltd, publicly available information and information/clarification provided by the Company’s management. The rating necessarily factors in, the promoters' experience in garment manufacturing industry, business existence of four decades, major revenue contribution through exports and financial strength reflected through low leverage and adequate service coverage indicators. The rating is however constrained by the fluctuation in the topline, dependent majorly on the fluctuation in exchange rates and the ability to achieve optimistic financial projections in a competitive industry/global environment.

BWR believes that Sangotra Fashions Private Ltd’s revenue growth and operating profitability will remain constrained by the intense competition in the garment manufacturing industry.

19<sup>th</sup> June 2017



Company's business risk profile may remain vulnerable to working capital intensive nature of the industry, over the medium term. However Promoters extensive experience and their understanding of the dynamics of the market is expected to position the company to stabilize its operations and scale up its business.

Going forward, the ability of the company to efficiently manage its working capital requirement to meet its increase in demand based requirement, improve the financial risk profile by achieving higher profitability vis-a-vis its growth in sales will be the key rating sensitivities.

### **Rating Outlook: Stable**

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Sangotra Fashions Private Ltd is a private limited company based in Mumbai. The Company is engaged in manufacturing of readymade garments. It is a 100% export oriented company and exports to retailers mainly in European countries. It has no group companies. The installed capacity is 40 Lakhs pieces and operates at 62.5% of installed capacity.

Established in 1976, as a proprietorship concern, the firm was converted into a partnership firm in 2002 and turned as a private limited company in 2011. The promoters of the Company Shri Sanjay Mandave, Shri Vijay Mandave and Smt Taibai Mandave are experienced with more than two decades in the garment manufacturing industry.

### **Company Financial Performance**

The Company with a gearing of less than one and interest service coverage ratio of more than 5x, has generated revenues of Rs.61.74 Cr, an operating profit of Rs.1.83 Cr and net profit of Rs.2.53 Cr as per FY17 provisional financials. Exchange rate plays a vital role as the entire proceeds is from exports. The revenues stood at Rs. 63.28 Cr, operating profit at Rs.2.95 Cr. and net profit of Rs.2.29 Cr for FY16.



### Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Rating (June 2017)			Rating History		
		Type	Amount raised (Rs Crs)	Rating	2016	2015	2014
1	Packing Credit Limit	Long Term	7.00	BWR BB+ [BWR Double B Plus] (Outlook: Stable)	-	-	-
2	Proposed Packing Credit Limit		2.50		-	-	-
3	Post Shipment Limit FDB/FBE	Short Term	(3.00)	BWR A4+ [BWR A Four Plus]	-	-	-

Note: FDB: Foreign Drawn Bill; FBE: Foreign Bill of Exchange: The Post Shipment Limit in the form of FDB and FBE are sub limits of Packing Credit limit of Rs 9.50cr.

### Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Due to non-cooperation the rating of 'IND BB+ and IND A4+' assigned in March 2015 by India Ratings for the Bank loan facilities amounting to Rs 7.00 Cr of Sangotra Fashions Private Ltd was suspended on October 21, 2016 in the absence of adequate information a valid rating could not be maintained.

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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### For print and digital media

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### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.