

Qualiance International Private Limited

Instrument	Amount	Rating Action
Short Term fund based limits	12.00	[ICRA]A4 reaffirmed
Short Term non fund based limits	3.00	[ICRA]A4 reaffirmed

ICRA has reaffirmed the [ICRA]A4 (pronounced ICRA A four) rating to Rs. 12 crore short term fund based facility and the Rs. 3.00 crore Short term non fund based facility of Qualiance International Private Limited.

The reaffirmation of rating is constrained by the stretched capital structure of the company with gearing of 3.71 times as of March 2016; high client concentration risk with almost 100% of sales being generated from various agencies of the Government of Switzerland; and reduced pricing flexibility due to competition from other low-cost countries. The rating is further constrained by the strictness in terms of adherence to quality and environmental standards coupled with risk of renewal of tenders given the fact that the company is dependent on other countries for the procurement of certain high quality technical textile fabrics.

The rating reaffirmation, however, favourably factors in the vast experience of the promoters in the textile industry with long and established relationship with the procurement officials in the Government of Switzerland; low counter party risk and favourable payment terms with key clients; consistent demand for uniforms from Swiss military department; and limited competition on account of niche nature of the product segment. The ratings are further supported by the improvement in the revenues as compared to previous year.

Going forward, the ability of the company to improve profitability and manage working capital effectively so as to improve its cash flow position; the ability to sustain orders from the Switzerland Government would define its performance over the medium term. However, in the long term, the company's ability to diversify its client base and expand its reach in addition to improving its margins over the years remain key rating sensitivities.

Company Profile

Qualiance International Private Limited (formerly known as Qualiance Exports), formed in the year 1994, is a producer of Woven and Knitted garments, which are mainly marketed to several Government Procurement Agencies and various brands in Switzerland and a few other European Countries. The company caters to a niche segment of customers (mainly various agencies in the Government of Switzerland) and has to adhere to very high level of standards in terms of delivery. The company earlier existed as a partnership firm and was converted to a private limited company in 2008.

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