



SMERA RATINGS LIMITED

Vrijesh Corporation (VC)

**Rating
Rationale****December 11, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Export Packing Credit*	9.00	SMERA BBB-/Stable (Reaffirmed)
Letter of Credit	5.50 (Enhanced from Rs.3.00 crore)	SMERA A3 (Reaffirmed)
Bank Guarantees	0.25	SMERA A3 (Reaffirmed)

* Interchangeability with cash credit facility to the extent of Rs. 1.00 crore; includes FBP/FBD/PSFC as sub limit to the extent of Rs. 2.00 crore

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short-term rating of '**SMERA A3**' (read as **SMERA A three**) to Rs. 14.75 crore bank facilities of Vrijesh Corporation. The outlook is '**Stable**'.

The ratings continue to draw comfort from the promoter's extensive industry experience, its established track record of more than four decades of operations, and its above average financial risk profile marked by comfortable capital structure along with net worth of over Rs.15 crore & healthy debt protections metrics of the firm. However, these rating strengths are partially offset by susceptibility of its profit margins to volatile raw material prices & fluctuations in foreign exchange rates, its operations in highly fragmented & competitive textile industry. The rating also factors in the risks related to the partnership constitution of the firm.

Update

For FY2014-15 (refers to financial year, April 1 to March 31), VC reported operating profit of Rs.3.1 crore on operating income of Rs.62.1 crore as against operating profit of Rs.2.5 crore on operating income of Rs.49.5 crore a year earlier. VC has sustained its operating margins in the range of around 5 percent in the past two years ending FY 2014-15. Sustenance of its operating margins in the range of around 5 to 6 percent would remain a key rating sensitive factor.

VC's operations continue to remain moderately working capital intensive marked by gross current asset days of over 100 days in the FY2014-15 which is majorly due to credit extension of over 50 to 60 days to its customers.

VC's has sustained its existing financial risk profile with gearing of around 0.6 times with net worth of over Rs.15 crore as on March 31, 2015 and healthy debt protections metrics marked by interest coverage ratio of 6.9 times and net cash accruals to total debt ratio of 0.35 times in 2014-15. Going forward, SMERA expects the financial risk profile to further improve from current levels considering the expected revenue growth over the medium term.

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The firm's liquidity profile is expected to remain comfortable over the medium term. Further, it is expected to generate accruals of around Rs. 3.2 crore to Rs. 3.9 crore over the medium term against nominal term debt repayment obligations.

Outlook: Stable

SMERA believes that VC would continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' in case the firm report substantial and sustainable revenues or operating margins leading to significant improvement in business risk profile while maintaining its above average financial risk profile. Conversely, the outlook may be revised to 'Negative' if its financial risk profile deteriorates majorly due to inefficient working capital management or if it undertakes significant debt-funded capital expenditure.

About the Firm

VC, established in 1970, is a Mumbai-based partnership firm founded by Mr. C. L. Agarwal. VC is primarily engaged in trading of yarn (sourced through imports) and fabric. The firm also undertakes export of apparels, accessories & home textiles which are designed & manufactured in-house.

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