

Press Release

Vrijesh Corporation (VC)

31 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.14.75 Cr
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

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) on the above bank facilities of Vrijesh Corporation (VC). The outlook is 'Stable'.

VC, established in 1970, is a Mumbai-based partnership firm engaged in the trading of yarn and fabric. The firm also exports apparels, accessories and home textiles.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations: VC, established in 1970 has more than 45 years of operational track record.

Healthy financial risk profile: The financial risk profile continues to remain healthy marked by low gearing of 0.40 times as on 31 March, 2016 as compared to 0.60 times as on 31 March 2015. VC's interest coverage ratio has also been healthy at 8.57 times for FY2015-16 as against 6.93 times in the previous year. The RoCE stood at 21.31 percent in FY2015-16 as compared to 21.67 percent in FY2014-15.

Diversified customer base: The company sells its products mainly to fabric manufactures and dealers across India. Further, it also exports to garment manufacturers such as Polo Ralph Lauren, P. Kaufmann (U. S. A.), Marks and Spencer, Debenhams among others.

Efficient working capital cycle: VC has been managing its working capital cycle efficiently at 54 days. The inventory days have been 26 in FY2015-16. The creditor days declined to 7 in FY2015-16 from 15 days in FY2014-15. The debtor days fell to 35 days in FY2015-16 from 70 days in FY2014-15 due to quick receivables from customers.

Weaknesses:

Declining margins: The operating margin of the firm declined to 4.65 percent in FY2015-16 from 5.06 percent in FY2014-15 on account of increase in the cost of materials. The PAT margin also fell to 3.91 per cent in FY2015-16 from 4.49 percent in FY2014-15.

Highly competitive industry: The readymade garment industry is highly competitive owing to limited entry barriers and large number of organised and unorganised players.

Foreign exchange fluctuation risk: The firm is exposed to foreign exchange risk as ~23 per cent of the revenue is generated from USA, France, Norway, Europe and the rest from India. Also, the firm imports ~59 per cent of total purchases.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm.

Applicable Criteria

- Trading Entity - <https://www.smerra.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

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 registers significant improvement in its business risk profile while maintaining a healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' if its financial risk profile deteriorates.

About the Rated Entity

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

For FY2015-16, the company reported Profit after Tax (PAT) of Rs.2.70 crore on operating income of Rs.68.97 crore as against PAT of Rs.2.79 crore on an operating income of Rs.62.09 crore for FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Export Packing Credit **	LT	9.00	SMERA BBB-/Stable (Reaffirmed)	-	-	11 Dec, 2015	SMERA BBB-/Stable (Reaffirmed)	16th Nov, 2015	SMERA BBB-/Stable (Reaffirmed)	18th Oct 2014	SMERA BBB-/Stable (Assigned)
Letter of Credit	ST	5.50	SMERA A3 (Reaffirmed)	-	-	11 Dec, 2015	SMERA A3 (Reaffirmed)	16th Nov, 2015	SMERA A3 (Reaffirmed)	18th Oct 2014	SMERA A3 (Assigned)
Bank Guarantee	ST	0.25	SMERA A3 (Reaffirmed)	-	-	11 Dec, 2015	SMERA A3 (Reaffirmed)	16th Nov, 2015	SMERA A3 (Reaffirmed)	18th Oct 2014	SMERA A3 (Assigned)
Proposed Letter of Credit	ST	0.05	-	-	-	-	-	16th Nov, 2015	SMERA A3 (Reaffirmed)	18th Oct 2014	SMERA A3 (Assigned)

** 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

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Export Packing Credit	NA	NA	NA	9.00	SMERA BBB-/ Stable (Reaffirmed)
Letter of Credit	NA	NA	NA	5.50	SMERA A3 (Reaffirmed)
Bank Guarantee	NA	NA	NA	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*

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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