

June 25, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.54	SMERA BB/Stable (Assigned)
Cash Credit	0.12	SMERA BB/Stable (Assigned)
Packing Credit	1.50	SMERA BB/Stable (Assigned)
Foreign Bill purchase	2.40	SMERA BB/Stable (Assigned)
Forward Contract	0.40	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Yes Knits (YK). The outlook is '**Stable**'. The rating draws support from the experienced management, stable profit margin, healthy financial risk profile and geographically diversified business. However, the ratings are constrained by the small scale of operations, foreign exchange fluctuation risk, exposure to intense competition in the textile industry and risks related to changes in economic conditions of USA and Mexico.

YK, established in 2001, is a Tirupur-based proprietorship concern engaged in the manufacture and export of readymade garments to USA and Mexico. The firm benefits from its experienced management. Mr. Senthil Kumar, the promoter possesses decades of experience in the textile industry.

YK's average financial risk profile is marked by low gearing (debt-to-equity ratio) of ~0.49 times as on March 31, 2014. The firm's comfortable coverage indicator is evidenced by the interest coverage ratio (ICR) of 1.94 times, debt service coverage ratio (DSCR) of 1.94 times and net profit margin of 2.97 per cent in FY2013-14 (refers to financial year, April 01 to March 31). The firm's revenue has grown from Rs. 11.52 crore to Rs 18.18 crore (provisional) in FY2014-15.

YK's small scale of operations is marked by operating income of Rs.11.52 crore in FY2013-14 (refer to financial year, April 01 to March 31). The firm exports to USA and Mexico and hence, the operating margin is susceptible to forex fluctuation risk. Also, changes in government policies of the two countries may have a major impact on the revenue generating capability of the firm. Additionally, YK is also exposed to intense competition from other players in the textile industry.

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**Outlook: Stable**

SMERA believes YK will maintain a stable business risk profile over the medium term on the basis of several projects in the pipeline and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the firm's financial risk profile on account of further stretch in liquidity position or larger than expected debt funded capex.

About the Firm

YK, established in 2001, is a Tirupur-based proprietorship firm promoted by Mr. Senthil Kumar. The firm manufactures knitted garments and exports it to USA and European countries. The firm's administrative office and manufacturing unit are at Tirupur, Tamil Nadu.

YK reported profit after tax (PAT) of Rs.0.38 crore on operating income of Rs.11.52 crore for FY2013-14, as compared with PAT of Rs.0.42 crore on operating income of Rs.12.44 crore in FY2012-13. The firm's net worth stood at Rs.3.12 crore as on March 31, 2014, as against Rs.2.78 crore a year earlier.

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