

Yes Knits: Reaffirmed

Name of the Instruments	Amount (Rs Crore)	Ratings/Outlook
Term Loan	0.54	SMERA BB/Stable (Reaffirmed)
Cash Credit	0.12	SMERA BB/Stable (Reaffirmed)
Packing Credit	1.50	SMERA BB/Stable (Reaffirmed)
Foreign Bill Purchase	2.40	SMERA BB/Stable (Reaffirmed)
Forward Contract	0.40	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the 4.96 crore bank facilities of Yes Knits (YK). The outlook is '**Stable**'.

The ratings continue to draw support from the firm's experienced management, moderate financial risk profile and geographically diversified business. However, the ratings are constrained by the modest scale of operations and susceptibility of profit margin to volatility in raw material prices. The ratings are also constrained by the firm's working capital intensive operations and exposure to intense competition in the textile industry.

Update

YK's financial risk profile continues to remain moderate marked by comfortable gearing (Debt-to-equity ratio) of 0.72 times, interest coverage ratio (ICR) of 2.21 times and debt service coverage ratio (DSCR) of 2.21 times in FY2014-15. The firm is engaged in the export of garments to countries such as Mexico, USA, UK among others.

YK's scale of operations remains modest marked by operating income of Rs.19.90 crore in FY2014-15. As per provisional data for FY2015-16, YK has booked revenue of Rs.28.13 crore and has an order book of Rs.10.38 crore as on date. The firm's margins declined from 6.41 per cent in FY2013-14 to 3.76 per cent for FY2014-15 due to increase in raw material cost. Prices of the major raw material, cotton yarn are highly volatile. YK's operations are working capital intensive marked by high gross current asset days of 180 in FY2014-15. Additionally, YK is also exposed to intense competition from other players in the industry.

Rating Sensitivity Factors

- Increasing revenues and expanding scale of operations
- Improving returns on capital employed and net profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes YK will maintain a stable business risk profile in the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

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

For FY2014-15 (refers to financial year, April 01 to March 31), YK registered profit after tax (PAT) of Rs.0.45 crore on operating income of Rs.19.90 crore as compared with profit after tax (PAT) of Rs.0.38 crore on operating income of Rs.12.87 crore in FY2013-14.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
25 June, 2015	Term Loan	0.54	SMERA BB	-	Stable
	Cash Credit	0.12	SMERA BB	-	Stable
	Packing Credit	1.50	SMERA BB	-	Stable
	Foreign Bill Purchase	2.40	SMERA BB	-	Stable
	Forward Contract	0.40	-	SMERA A4+	-

Contacts:

Analytical	Media
Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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