



SMERA RATINGS LIMITED

Vrijesh Natural Fibre & Fabrics (India) Private Limited (Vrijesh Natural Fibre)

*Rating
Rationale*

January 13, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.50	SMERA BBB/Stable (Suspension Revoked; Rating Assigned)
EPC/FBP/FBN ^	7.50	SMERA A3+ (Suspension Revoked; Rating Assigned)
Term Loan	8.82	SMERA BBB/Stable (Suspension Revoked; Rating Assigned)
Letter of Credit	3.50 *	SMERA A3+ (Suspension Revoked; Rating Assigned)

* Buyers Credit of Rs. 3.50 crore – fully interchangeable with LC

^ EPC/FBP/FBN – Export Packing Credit / Foreign Bill Purchase / Foreign Bill Negotiation

SMERA has revoked the suspension of ratings assigned on the abovementioned bank facilities of Vrijesh Natural Fibre & Fabrics (India) Private Limited (Vrijesh Natural Fibre) and assigned long-term rating of **'SMERA BBB' (read as SMERA triple B)** and short-term rating of **SMERA A3+ (read as SMERA A three plus)**. The outlook is **'Stable'**.

SMERA had on November 10, 2015 suspended the ratings for lack of necessary information and non-receipt of surveillance fees from Vrijesh Natural Fibre. The company has now shared the requisite information, enabling SMERA to assign ratings.

The ratings derive strengths from the long track record of operations, extensive experience of the promoters and above average scale of operations coupled with healthy operating profitability. The ratings also factor in the above-average financial risk profile marked by healthy debt protection metrics and comfortable capital structure. The aforementioned strengths are partially offset by the highly competitive and fragmented textile industry and susceptibility of operating margins to volatility in raw material prices.

The scale of operations of Vrijesh Natural Fibre has remained above average marked by its operating income of Rs.81.12 crore in FY2014-15 as against operating income of Rs.75.35 crore a year earlier showing marginal growth of over 7 percent on year-on-year (y-o-y) basis. The company has generated healthy operating profitability of over 11 percent in the past two years ending FY2014-15, largely backed by better operating efficiency due to the recently installed machineries.

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The financial risk profile of the company is above-average marked by gearing of 0.7 times with healthy net worth of over Rs.17.6 crore as on March 31, 2015. The debt protection metrics have remained healthy marked by interest coverage ratio and net cash accruals to total debt ratio of 7.4 times and 0.5 times respective for FY2014-15.

The liquidity position has remained comfortable marked by net cash accruals of over Rs.6.0 crore against repayment obligation of around 1.7 crore in FY2014-15 compared to net cash accruals of over Rs.5.5 crore against repayment obligation of around 0.7 crore a year earlier. The bank limits utilisations have remained moderate at an average of 69 percent in the past five months ending November, 2015.

Rating Sensitivity Factors

- Substantial and sustainable revenues or operating margins
- Price trends of key raw materials
- Efficient working capital management
- Future capital expenditure plans and its funding mix thereof

Outlook: Stable

SMERA believes that Vrijesh Natural Fibre will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations, healthy operating efficiency and above-average financial risk profile. The outlook may be revised to 'Positive' if the company generates substantial and sustainable revenues or operating margins while maintaining its existing above-average financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the company reports adverse financial results resulting in deterioration of the financial risk profile especially liquidity.

About the Company

Incorporated in 1984, Vrijesh Natural Fibre is a Mumbai-based company promoted by Mr. C. L. Agrawal and family. The company is engaged in the manufacture of linen fabrics, scarves and home textiles and the overall operations are managed by Mr. Atul Agrawal.

For FY2014-15, the company reported profit after tax (PAT) of Rs.4.28 crore on operating income of Rs.81.12 crore as compared with PAT of Rs.4.21 crore on operating income of Rs.75.35 crore for FY2013-14.

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