

May 02, 2016

Facilities	Amount (Rs. Crore)	Ratings
Dropline Overdraft	7.00	SMERA BB/Stable (Assigned)
Term Loan	4.60*	SMERA BB/Stable (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)
Bank Guarantee	0.40	SMERA A4+ (Assigned)

*Includes sublimit of FLC upto Rs. 1.59 crore

SMERA has assigned ratings of '**SMERA BB**' (**read as SMERA double B**) and '**SMERA A4+**' (**read as SMERA A four plus**) to the abovementioned bank facilities of Vashu Yarn Mills India Private Limited (VYMIPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, moderate financial risk profile and comfortable working capital cycle. However, the ratings are constrained by the modest scale of operations and susceptibility of profitability to volatility in raw material prices in an intensely competitive segment of the textile industry.

The promoters have around two decades of experience in textile industry. VYMIPL has a moderate financial risk profile marked by comfortable gearing of 1.07 times and moderate coverage indicators at 2.65 times in FY2014-15. The company's working capital cycle has been comfortable with gross current asset (GCA) of 136 days in FY2014-15.

However, the ratings are constrained due to the modest scale of operations with operating income of Rs.39.62 crore in FY2014-15. The ratings are also constrained by the susceptibility of profitability margins due to volatility in cotton prices.

Outlook: Stable

SMERA believes that the outlook on VYMIPL's rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while achieving significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the revenues, profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in scale of operations while maintaining profitability
- Managing volatility in raw material prices

About the Company

VYMIPL, incorporated in 2003, is a Tamil Nadu-based company promoted by Mr. Arunachalam Mahesh, Mr. Vasudevan Gomathi, Mr. K S Vasudevan and Mr. Mahesh Shanmugapriya. The company is engaged in the manufacturing of cotton yarn at Vijayamangalam (Tamil Nadu), with installed capacity of 18000 spindles. Further, the company has a windmill with installed capacity of 2.5-megawatt wind power for own consumption and also for commercial purposes.

For FY2014-15, VYMIPL reported profit after tax (PAT) of Rs.0.85 crore on operating income of Rs.39.62 crore, as compared with PAT of Rs.1.25 crore on operating income of Rs.45.46 crore in FY2013-14.

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