

Vijayalakshmi Silks: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	10.50	SMERA BB/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs.10.50 crore long term bank facility of Vijayalakshmi Silks. The outlook is '**Stable**'.

The rating is supported by the partner's extensive experience in the wholesale business of silk sarees. The ratings also draw comfort from the stable growth in revenue and above average financial risk profile marked by moderate net worth base. The rating also notes the comfortable debt-equity and interest coverage ratio. However, the rating is constrained by the working capital intensive business and inherent industry risk characterised by intense market competition.

Vijayalakshmi Silks, established in 2001 is engaged in the wholesale business of silk sarees. The firm is headed by Mr M. Jeevanand who possesses 15 years of experience in the business. The firm registered stable growth in revenue at Rs.89 crore in FY2016 (provisional) from Rs.45.12 crore in FY2012 registering CAGR of 18.51 per cent for the last four years. The firm's financial risk profile is marked by low net worth base at Rs.6.85 crore in FY2016 (Provisional). The gearing (debt to equity) stood at 1.52 times and interest coverage ratio of 2.61 times in FY2016 (Provisional).

However, Vijayalakshmi Silks has elongated working capital cycle marked by stretched debtor days of 134. Also, the firm's reliance on creditors to fund its working capital requirements resulted in high TOL/TNW of 5.03 times in FY2016 (provisional). Besides, the firm is exposed to intense competition from several unorganised players in the textile industry.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management

Outlook – Stable

SMERA believes that Vijayalakshmi Silks will maintain a stable outlook in the medium term owing to the partner's extensive experience in the saree business. The outlook may be revised to 'Positive' if 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 of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile owing to higher working capital requirements.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Firm

Vijayalakshmi Silks, a partnership firm established in 2001 by Mr M. Jeevanand is engaged in the wholesale business of silk sarees. The operations are headed by Mr M. Jeevanand, Mrs J. Komalomma, Mr. J. Lohithanand and Mrs. Sarika Lothithanand.

For FY2016, the firm achieved net profit after tax (PAT) of Rs.1.37 crore on operating income of Rs.89 crore (provisional), as compared with PAT of Rs.1.01crore on operating income of Rs.77.06 crore in FY2015.

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ABOUT SMERA

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