

Press Release

VIJAYALAKSHMI SILKS

12 January, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.10.50 crore bank facilities of VIJAYALAKSHMI SILKS. The outlook is '**Stable**'.

Vijayalakshmi Silks, a Bangalore-based partnership firm established in 2001 by Mr. M. Jeevanand and Mr. J. Lohitanand. The firm, a family run business, is engaged in the wholesale trading of silk sarees and is one of the distributors of Nalli Silk and Hosiyar Silk-reputed silk retailers in India.

Key Rating Drivers

Strengths

- **Experienced management**

The partners have more than a decade of experience in the said line of business.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by net worth of Rs. 9.10 crore as on 31 March, 2017 as against Rs.6.85 crore as on 31 March, 2016. The gearing stood moderate at 1.52 times as on 31 March, 2017 as against 1.52 times as on 31 March, 2016. The total debt of Rs.13.83 outstanding as on 31 March, 2017 comprises Rs.3.66 crore as unsecured loans from partners and Rs.10.17 crore as short term borrowings from the bank. The Interest Coverage Ratio stood at 2.56 times in FY2017 as against 2.61 times in FY2016. The net cash accruals stood at 1.39 crore in FY2017 and NCA/TD at 0.10 times in FY2017.

- **Growth in profitability margins**

The profitability margins increased during FY2015 to FY2017. The EBITDA margins stood at 4.07 percent in FY2017 as against 3.71 percent in FY2016 and 3.49 percent in FY2015. This is majorly on account of fall in job work charges. The PAT margins stood at 1.60 percent in FY2017 as against 1.54 percent in FY2016.

Weaknesses

- **Uneven revenue trend**

The revenues of the firm have been uneven during the period FY2015 to FY2017. The revenue stood at Rs. 85.41 crore in FY2017 as against Rs. 89.01 crore in FY2016 and Rs. 77.06 crore in FY2015. Further the firm booked revenue of Rs. 81.00 crore from April to November 2017.

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA days of 189 days in FY2017 as against 167 days in FY2016. This is majorly on account of high receivable days of 151 in FY2017 as against 137 in FY2016. The creditor days are also stretched at 126 days in FY2017 as against 114 days in FY2016. The inventory holding period is low at 35 days in FY2017 as against 27 days in FY2016. The average bank limit utilisation stood at ~95 percent for the last six months ended November 2017.

• Competitive and fragmented industry

The firm operates in a highly competitive textile industry with intense competition from several unorganised players limiting its bargaining power.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Vijayalakshmi Silks to arrive at the rating.

Outlook: Stable

SMERA believes that Vijayalakshmi Silks will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than- expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	85.41	89.01	77.06
EBITDA	Rs. Cr.	3.48	3.30	2.69
PAT	Rs. Cr.	1.36	1.37	1.01
EBITDA Margin	(%)	4.07	3.71	3.49
PAT Margin	(%)	1.60	1.54	1.31
ROCE	(%)	20.90	22.75	38.17
Total Debt/Tangible Net Worth	Times	3.04	2.36	1.76
PBDIT/Interest	Times	2.56	2.61	2.34
Total Debt/PBDIT	Times	3.96	3.16	3.23
Gross Current Assets (Days)	Days	189	167	177

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Oct-2016	Cash Credit	Long Term	INR 10.5	SMERA BB / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	SMERA BB / Stable

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