

Press Release

Vijayalakshmi Silks

November 26, 2018

Rating Downgraded and Assigned

Total Bank Facilities Rated*	Rs. 12.50 Cr. (Enhanced from Rs. 10.50 Cr)
Long Term Rating	ACUITE BB- / Outlook: Stable (Downgraded from ACUITEBB/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating of '**ACUITE BB-**' (read as ACUITE double B minus) from **ACUITE BB** (read as ACUITE double B) on the Rs. 10.50 crore bank facilities and assigned long term rating of '**ACUITE BB-**' (read as ACUITE BB minus) on the Rs. 2.00 crore bank facilities of Vijayalakshmi Silks. The outlook is '**Stable**'.

The downgrade in the rating is driven by deterioration of financial risk profile, particularly withdrawal of capital from the business and also tight in liquidity position of the company. Partner Capital dropped to Rs. 3.81 Cr in FY18 as against Rs. 4.55 Cr in FY17.

Vijayalakshmi Silks, a Bangalore-based partnership firm was 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, which are reputed silk retailers in India.

Analytical Approach

For arriving at the ratings Acuité has considered standalone business and financial risk profile of Vijayalakshmi Silks

Key Rating Drivers

Strengths

- **Experienced management:**

The Promoters of the firm have more than a decade of experience in the same line of business.

Weaknesses

- **Working Capital Intensive Operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 179 days in FY2018 as against 185 days in FY2017. This is majorly on account of high receivable days of 136 days in FY2018 as against 151 days in FY2017. The creditor days are also stretched at 108 days in FY2018 as against 126 days in FY2017. The inventory holding period is low at 41 days in FY2018 as against 35 days in FY2017. The average bank limit utilisation stood at ~95 percent for the last six months ended October 2018.

- **Highly competitive and fragmented industry**

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

- **Below Average Financial Risk Profile**

The firm has below average financial risk profile marked by adjusted debt-equity ratio at 3.08 times as on 31 March, 2018 as against 2.23 times as on 31 March, 2017. The total debt of Rs.16.08 outstanding as on 31 March, 2018 comprises Rs.4.36 crore as unsecured loans from partners and Rs.11.71 crore as

short term borrowing from the bank. Interest Coverage Ratio stood at 2.24 times in FY2018 as against 2.56 times in FY2017. EBITDA margin stood healthy at 4.51 percent in FY18 as against 4.07 percent in FY17. PAT margin stood stable at 1.60 percent in FY18. The net cash accruals stood at Rs.1.43 crore in FY2018 and NCA/TD stood at 0.09 times in FY2018.

Outlook: Stable

Acuité 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	88.26	85.41	89.01
EBITDA	Rs. Cr.	3.98	3.48	3.30
PAT	Rs. Cr.	1.41	1.36	1.37
EBITDA Margin	(%)	4.51	4.07	3.71
PAT Margin	(%)	1.60	1.60	1.54
ROCE	(%)	20.67	20.90	22.75
Total Debt/Tangible Net Worth	Times	4.22	3.04	2.36
PBDIT/Interest	Times	2.24	2.56	2.61
Total Debt/PBDIT	Times	4.04	3.96	3.16
Gross Current Assets (Days)	Days	179	185	166

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Jan-2018	Cash Credit	Long Term	INR 10.50	ACUITE BB / Stable (Reaffirmed)
28-Oct-2016	Cash Credit	Long Term	INR 10.50	ACUITE BB / Stable (Assigned)

***Annexure – Details of instruments rated**

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

Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable (Assigned)
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About Acuité Ratings & Research:

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