

April 28, 2014

Facilities	Amount (Rs. Crore)	Rating
Packing Credit	4.30	SMERA A3+ (Assigned)
Foreign Usance Discount Bill Purchase	3.00	SMERA A3+ (Assigned)

SMERA has assigned a rating of '**SMERA A3+**' (read as **SMERA A three plus**) to the abovementioned bank facilities of Yamai Fashions Private Limited (YFPL). The rating is supported by the company's long track record of operations, sound liquidity position, strong financial risk profile, healthy profit margins and experienced management. The rating is also supported by the company's entitlement to interest subvention and duty drawbacks. However, the rating is constrained by the company's susceptibility to slowdown in key markets. The rating is also constrained by the company's exposure to high level of customer and geographic concentration in a highly competitive leather industry.

YFPL, incorporated in 1991, is a Kolkata-based company engaged in manufacturing and export of premium leather goods, including leather handbags, body bags, wallets and accessories. YFPL has a sound liquidity position evidenced by cash and bank balance of Rs.10.35 crore as on March 31, 2013 (as against total short-term bank borrowings of Rs.10.84 crore). The company's current ratio stood at 1.81 times as on March 31, 2013. YFPL's strong financial risk profile is reflected in low debt-to-equity ratio of 0.26 times as on March 31, 2013 and strong interest coverage ratio of 6.60 times in FY2012-13. The company's net cash accruals to total debt (NCA/TD) ratio is strong at 0.44 times in FY2012-13. Further, YFPL has healthy profit margins. The company reported operating profit margin of 11.00 per cent and net profit margin of 7.93 per cent in FY2012-13.

YFPL benefits from its experienced management, Mr. Sajal Kumar Mitra, director of YFPL, is a qualified chartered accountant with around 35 years of experience in the leather industry. Mr. Arjun Kulkarni, director of YFPL, has a postgraduate degree in management with around 12 years of experience in the leather processing industry. YFPL also benefits from favourable government policies applicable to the leather processing industry. The company is entitled to interest subvention (of 3.00 per cent on a quarterly basis; applicable only to the packing credit limits) and duty drawbacks (of 6.00 per cent) from the central government. YFPL benefited from Rupee depreciation in FY2012-13.

YFPL's business is susceptible to slowdown in European markets. The company's revenues declined from Rs.44.62 crore in FY2010-11 to Rs.33.21 crore in FY2011-12 on account of weak demand conditions arising due to economic slowdown in Europe. Further the operating margins remain susceptible to raw-material and employee cost; YFPL's inability to pass on the escalation in these costs has led to fall in margins; the operating profit margins have fallen from 34 per cent in FY2011 to 19 per cent in FY2012 and further to 11 per cent in FY2013.

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YFPL is exposed to high level of customer concentration risk as the company derives ~95 per cent of its total revenues from a single customer. YFPL is also exposed to geographic concentration risk as all customers of the company are based in Europe. YFPL faces intense competition from several players in the leather processing industry.

#### Rating sensitivity factors

- Diversification of customer base
- Geographical diversification
- Demand from European markets
- Increase in scale of operations while maintaining healthy profit margins
- Changes in government policies
- Changes in working capital requirements

#### About the company

YFPL (formerly known as Trio Trend Consultants Private Limited), incorporated in 1991, is a Kolkata-based company promoted by Mr. Sajal Kumar Mitra and Mr. B. S. Pramanik. The overall operations of the company are currently managed by Mr. Arjun Kulkarni and Mr. Sajal Kumar Mitra. YFPL is engaged in manufacturing and export of premium leather goods. The company has a manufacturing facility in Kolkata, West Bengal.

For FY2012–13, YFPL registered PAT of Rs.3.74 crore on operating income of Rs.47.22 crore, as compared with PAT of Rs.4.83 crore on operating income of Rs.33.80 crore in FY2011–12. The company's net worth stood at Rs.43.57 crore as on March 31, 2013. The company registered revenues of ~Rs.62.00 crore (provisional) during April 2013 to January 2014.

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