

Rating Update

June 30, 2020 | Mumbai

York Exports Limited

Update as on June 30, 2020

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

- Scale of operation and profitability
- Working capital management
- Capital expenditure and its funding

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is, however, awaiting adequate information from York Exports Limited (YEL) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit.

CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About The Company

YEL is a Ludhiana based company engaged in manufacture of sweaters, sweat shirts and T-Shirts. The company is promoted by Mr. Gyanchand Dhawan. YEL is listed at Bombay Stock Exchange – SME portal.

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Rating Rationale

June 29, 2019 | Mumbai

York Exports Limited

'CRISIL BB/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.6.5 Crore
Long Term Rating	CRISIL BB/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BB/Stable**' rating to the long-term bank facilities of York Exports Limited (YEL).

The rating reflects the extensive experience of the promoter in the readymade garments industry and the company's above-average financial risk profile. These strengths are partially offset by modest scale of operations amid intense competition, and large working capital requirement.

Analytical Approach

Unsecured loans of Rs 1.4 crore as on March 31, 2019, have been treated as neither debt nor equity as the funds are from the promoter family and are expected to remain in the business over the medium term.

Key Rating Drivers & Detailed Description

Strengths:

*** Extensive industry experience of the promoter:**

The promoter has been in the readymade garments industry since 1983, and has developed strong relationships with stakeholders, leading to steady order flow and revenue.

*** Above-average financial risk profile:**

Capital structure is supported by comfortable gearing of 0.7 time and networth of Rs 7.33 crore as on March 31, 2019. Debt protection metrics are above average, indicated by interest coverage of 2.3 times and net cash accrual to adjusted debt ratio of 0.18 time in fiscal 2019.

Weaknesses:

*** Modest scale amid intense competition:**

The modest scale is reflected in revenue of Rs 18 crore for fiscal 2019. Furthermore, the company faces intense competition in the highly fragmented readymade garments industry. Modest scale and exposure to competition restrict bargaining power, and hence, profitability.

*** Large working capital requirement:**

Operations are working capital intensive, as reflected in gross current assets of 199 days as on March 31, 2019, driven by large inventory of 169 days to ensure smooth production during the off season. YEL gets majority of orders in January-February and has to deliver after June. Therefore, most of the manufacturing takes place from January to July, leading to substantial inventory at the end of the fiscal.

Liquidity

Liquidity is adequate. Net cash accrual is expected at Rs 1.34 crore and Rs 1.45 crore, respectively, in fiscals 2020 and 2021, which will be sufficient to meet debt obligation of Rs 0.29 crore in each fiscal. Bank limit of Rs 4.25 crore was utilised at an average of 76% over the 9 months through September 2018. The liquidity is supported by unsecured loans of Rs 1.4 crore, which are expected to remain in the business over the medium term.

Outlook: Stable

CRISIL believes YEL will continue to benefit from the experience of the promoter. The outlook may be revised to 'Positive' if there is a substantial increase in revenue and profitability along with prudent working capital management. The outlook may be revised to 'Negative' if significantly low revenue and cash accrual, stretched working capital cycle, or any large, debt-funded capital expenditure weakens the financial risk profile.

About the Company

YEL is a Ludhiana based company engaged in manufacture of sweaters, sweat shirts and T-Shirts. The company is promoted by Mr. Gyanchand Dhawan. YEL is listed at Bombay Stock Exchange 'SME portal.

Key Financial Indicators

Particulars	Unit	2019*	2018
Revenue	Rs crore	18.27	13.85
Profit After Tax (PAT)	Rs crore	0.39	0.80
PAT Margin	%	2.1	5.8
Adjusted debt/adjusted networth	Times	0.7	0.42
Interest coverage	Times	2.26	3.8

* Provisional

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	4.25	CRISIL BB/Stable
NA	Long Term Loan	NA	NA	Mar-2022	1.00	CRISIL BB/Stable
NA	Proposed Long-Term Bank Loan Facility	NA	NA	NA	1.25	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

		Current		2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	6.50	CRISIL BB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Proposed Long Term Bank Loan Facility	1.25	CRISIL BB/Stable	--	0	--
Cash Credit	4.25	CRISIL BB/Stable	--	0	--
Long Term Loan	1	CRISIL BB/Stable	--	0	--
Total	6.5	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Approach to Recognising Default](#)

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