

Press Release

Vrijesh Natural Fibre & Fabrics (India) Private Limited

12 August, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 22.32 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB** (read as SMERA triple B) and short term rating of '**SMERA A3+**' (read as SMERA A three plus) on the Rs. 22.32 crore bank facilities of Vrijesh Natural Fibre & Fabrics (India) Private Limited (Vrijesh Natural Fibre). The outlook is '**Stable**'.

Incorporated in 1984, Vrijesh Natural Fibre is a Mumbai-based company promoted by Mr. C. L. Agarwal and family. The company is engaged in the manufacture of linen fabrics, scarves and home textile products at Vapi, Gujarat. The installed capacity stands at 250 MTPA.

Key Rating Drivers

Strengths

- **Extensive experience of the promoters**

The promoters have over three decades of experience in the industry and have developed healthy relations with customers and suppliers. This has helped in getting repeat orders and favourable credit terms from suppliers. SMERA believes that the company will continue to benefit from its promoters' extensive industry experience over the long term.

- **Above average scale of operations and operating margins**

The scale of operations has remained above average marked by growth in revenues to Rs. 83.81 crore in FY2015-16 against Rs. 81.12 crore in FY2014-15. The EBIDTA margin grew to 12.89 per cent in FY2015-16 against 11.47 per cent in FY2014-15 owing to continuous upgradation. The operating margins and revenues are expected to improve further over the medium term.

- **Healthy debt protection metrics**

The debt protection metrics are healthy marked by interest coverage ratio of 8.42 times and net cash accruals to total debt ratio of 0.66 times in FY2015-16. Going forward, the aforementioned is expected to remain healthy over the near term.

Weaknesses

- **Susceptibility of operating margins to volatility in raw material prices**

The margins are highly susceptible to fluctuations in the prices of polyester yarn.

- **Highly competitive industry**

The textile industry in India is highly fragmented and dominated by a large number of organised and unorganised players leading to intense market competition.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that Vrijesh Natural Fibre will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company generates substantial and sustainable revenues or operating margins while maintaining its above-average financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.5.13 crore on operating income of Rs.83.81 crore as compared to PAT of Rs.4.28 crore on operating income of Rs.81.12 crore for FY2014-15. The net worth stood at Rs.22.64 crore as on 31 March, 2016 as against Rs.17.62 crore a year earlier.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios and Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Jan-2016	Cash Credit	Long Term	INR 2.5	SMERA BBB/ Stable (Assigned)
	EPC/FBP/FBN&	Short Term	INR 7.5	SMERA A3+ (Assigned)
	Term Loan	Long Term	INR 8.82	SMERA BBB/ Stable (Assigned)
	Letter of Credit#	Short Term	INR 3.5	SMERA A3+ (Assigned)
10-Nov-2015	Term Loans	Long Term	INR 4.7	SMERA BBB-/ Stable (Suspended)
	Cash Credit	Long Term	INR 2.5	SMERA BBB- / Stable (Suspended)
	EPC/FBP/FBN	Short Term	INR 5.5	SMERA A3 (Suspended)
	Letter of Credit	Short Term	INR 3.5	SMERA A3 (Suspended)

11-Aug-2014	Term Loans	Long Term	INR 4.7	SMERA BBB- / Stable (Assigned)
	Cash Credit	Long Term	INR 2.5	SMERA BBB- / Stable (Assigned)
	EPC/FBP/FBN	Short Term	INR 5.5	SMERA A3+ (Assigned)
	Letter of Credit	Short Term	INR 3.5	SMERA A3+ (Assigned)

#Buyers credit of Rs.3.50 cr - full interchangeable with LC
 &EPC/FBP/FBN - Export Packing Credit/Foreign Bill Purchase/Foreign Bill Negotiation

*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	2.50	SMERA BBB / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A3+ (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	8.82	SMERA BBB / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A3+ (Reaffirmed)

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ABOUT SMERA

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