

Vineet Polyfab Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	20.00*	SMERA BB/ Stable (Assigned)
Term Loan-I	2.92	SMERA BB/ Stable(Assigned)
Term Loan-II	7.89	SMERA BB/ Stable(Assigned)
Bank Guarantee	1.25	SMERA A4+ (Assigned)

**Includes sublimit of packing credit of Rs.15 crore*

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA Double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A Four Plus**) on the above mentioned bank facilities of Rs.32.06 crore of Vineet Polyfab Private Limited (VPPL). The outlook is '**Stable**'.

The ratings derive comfort from the company's experienced management, growth in revenues and comfortable coverage indicators. However, the ratings are constrained by the high gearing, working capital intensive nature of operations along with the highly competitive and fragmented textile industry. The ratings also factor in the susceptibility of profit margins to volatility in raw material prices.

The Surat-based VPPL incorporated in 2009, commenced operations in 2013 to manufacture polyester textured yarn. The company was promoted by Mr. Sanjay Agarwal who possesses more than two decades of experience in the textile industry.

VPPL has reported operating income of Rs.108.47 in FY2015-16 as against Rs.106.09 crore in FY2014-15. Further, as informed by the management the company has reported operating income of Rs.110.00 crore for April 2016 to October 2016. The growth in operating income is on account of capacity addition made by the company in April, 2016. The company has comfortable interest coverage ratio of 2.63 times in FY2015-16 as against 1.98 times in FY2014-15.

However, the ratings are constrained by the high gearing of 3.28 times in FY2015-16 as against 2.32 times in FY2014-15. VPPL's operations are working capital intensive evident from the gross current assets of 117 days in FY2015-16 as against 89 days in the previous year. Further, the cash credit limit has been fully utilised in the last six months ended October 2016.

Further, the main raw material for VPPL is partially oriented yarn (POY), the prices of which are linked to crude oil prices, thus exposing profit margins to volatility in raw material prices. The rating also factors in VPPL's presence in the highly competitive textile industry with several unorganised players which limits the bargaining power of the company.

Rating Sensitivity Factors

- Sustained improvement in revenue and profitability
- Movement in gearing and coverage indicators
- Efficient working capital management

Outlook: Stable

SMERA believes that VPPL will maintain a stable outlook and benefit over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while improving the financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in

case of a steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

Criteria applied for arriving at the rating:

- Manufacturing entities

About the Company

VPPL was incorporated in 2009 and began operations from 2013. The company is engaged in the manufacture of polyester textured yarn. The manufacturing facility is located at Surat. The company is headed by the Directors, Mr. Omprakash Agarwal, Mr. Sanjay Agarwal and Mr. Sarvesh Agarwal.

For FY2016, VPPL reported net profit after tax (NPAT) of Rs.1.29 crore on operating income of Rs.108.47 crore; as compared with NPAT of Rs.0.51 crore on net sales of Rs.106.09 crore in the previous year.

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ABOUT SMERA

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