

Press Release

Vineet Polyfab Private Limited

12 March, 2018



Rating Upgraded & Assigned

Total Bank Facilities Rated*	Rs.32.06 Cr
Long Term Rating	SMERA BB+ /Stable (Upgraded from SMERA BB/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating of Vineet Polyfab Private Limited (VPPL) to '**SMERA BB+**' (read as SMERA double B plus) from '**SMERA BB**' (read as SMERA double B), reaffirmed short term rating of '**SMERA A4+**' (read as SMERA A four plus) and assigned short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs 32.06 crore bank facilities. The outlook is 'Stable'.

The upgrade is in view of the significant growth in revenue along with increase in profitability margins of the company. SMERA believes that going ahead the company will sustain growth in revenues and profitability margins over the medium-term.

Vineet Polyfab Private Limited (VPPL), based at Surat, was incorporated in 2009 and commenced its operation from 2013. The company is promoted by Mr. Omprakash Agarwal, Mr. Sanjay Agarwal and Mr. Sarvesh Agarwal. VVPL is engaged in manufacturing of texturized polyester yarn from partially oriented yarns (POY). The manufacturing unit located in Surat with an installed capacity of 2000 tons/ month.

Key rating drivers

Strengths

Experienced promoters and second line of management

The director, Mr. Sanjay Agarwal has more than more two decade of experience in the textile industry and is associated with the group company Vineet Texto Twist, which was established in the year 1990. Experienced management has helped the company to maintain healthy and long standing relations with the customers and suppliers.

Healthy growth in revenue and increase in profitability margins

VVPL has registered healthy growth of around 69 percent in operating revenue in FY2017. The company reported revenue of Rs.183.36crore in FY 2017 as against Rs. 108.47 crore in FY 2016. The group's EBITDA margins improved from 4.21 per cent in FY2016 to 5.72 per cent in FY2017. PAT margin stood at 1.50 per cent in FY 2017 as against a 1.19 per cent in FY2016.

Moderate working capital nature of business

VPPL's working capital operations are moderate marked by gross current asset days of 100 days in FY2017 which improved from 117 days in FY2016. This is on account of lower debtor of 30 days in FY2017 as compared to 41 days in FY2016. Inventory stood at 45 days in FY2017 as compared to 34 days in FY2016.

Weaknesses

Moderate financial risk profile

The financial risk profile of VPPL is marked by net worth of Rs 14.27 crore as on 31 March, 2017 compared to Rs 11.96 crore as on 31st March, 2016. However the debt levels of the company were high leading to high gearing of 3.59 times in FY2017 as compared to 3.53 times in FY2016. The interest coverage ratio stood at 3.14 times for FY2017 compared to 2.63 times for FY2016. The DSCR of the company improved though still moderate to 1.93 times in FY2017 from 1.47 times in FY2016.

Competitive industry with volatility in raw material prices

The company operates in a highly competitive and fragmented sector of the textile industry with limited entry barriers. Performance is also susceptible to the price raw material which is linked to crude oil prices.

Outlook – Stable

SMERA believes that the VPPL will maintain a stable outlook over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	183.36	108.47	106.09
EBITDA	Rs. Cr.	10.49	4.57	3.52
PAT	Rs. Cr.	2.75	1.29	0.51
EBITDA Margin	(%)	5.72	4.21	3.32
PAT Margin	(%)	1.50	1.19	0.48
ROCE	(%)	12.74	7.67	8.25
Total Debt/Tangible Net Worth	Times	3.59	3.53	2.32
PBDIT/Interest	Times	3.14	2.63	1.98
Total Debt/PBDIT	Times	4.84	8.30	5.67
Gross Current Assets (Days)	Days	100	117	89

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
02-December-2016	Cash Credit	Long Term	20.00	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	2.92	SMERA BB/Stable (Assigned)
	Term Loan	Long Term	7.89	SMERA BB/Stable (Assigned)

Bank of Guarantee	Short Term	1.25	SMERA A4+ (Assigned)
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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	22.43 (Enhanced from Rs.20.00 crore)	SMERA BB+/ Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.10 (Reduced from Rs.2.92 crore)	SMERA BB+/ Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.03 (Reduced from Rs.7.89 crore)	SMERA BB+/ Stable (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.50 (Enhanced from Rs.1.25 crore)	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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