

Press Release

Vineet Polyfab Private Limited

May 23, 2018

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs 40.06 Cr (Enhanced from Rs.32.06 Cr)
Long Term Rating	SMERA BB+ /Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has assigned and reaffirmed the long term rating of Vineet Polyfab Private Limited (VPPL) at '**SMERA BB+**' (read as SMERA double B plus) and short term rating at '**SMERA A4+**' (read as SMERA A four plus) on the Rs 40.06 crore bank facilities. The outlook is 'Stable'.

Vineet Polyfab Private Limited (VPPL), based at Surat, Gujarat and promoted by Mr. Omprakash Agarwal, Mr. Sanjay Agarwal and Mr. Sarvesh Agarwal, was incorporated in 2009 and commenced its operation from 2013. 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

The director, Mr. Sanjay Agarwal has more than more two decade of experience in the textile industry by virtue to his association with 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

VVPL has registered compounded growth (CAGR) of 21.8 percent over the past three year. The company reported revenue of Rs 233.47 Crore in FY2018 (provisional) as against Rs.183.36crore in FY 2017. The comparable figure stood at Rs. 108.47 crore in FY 2016.

Moderate working capital nature of business

VVPL's working capital operations are moderate marked by gross current asset days of 86 days in FY2018 which improved from 100 days in FY2017. This is on account of debtor of 46 days in FY2018 as compared to 30 days in FY2017. Inventory stood at 30 days in FY2018 as compared to 45 days in FY2017.

Weaknesses

Moderate financial risk profile

The financial risk profile of VPPL is marked by net worth of Rs 24.07 crore as on 31 March, 2018 compared to Rs 18.77 crore as on 31st March, 2017. The gearing levels of the company remained moderate at 1.78 times in as on March 31st, 2018 as compared to 2.49 times in FY2017. The interest coverage ratio stood at 3.08 times for FY2018 compared to 3.14 times for FY2017.

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 healthy growth in revenue. 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	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	233.47	183.36	108.47
EBITDA	Rs. Cr.	12.20	10.49	4.57
PAT	Rs. Cr.	5.31	2.75	1.29
EBITDA Margin	(%)	5.22	5.72	4.21
PAT Margin	(%)	2.27	1.50	1.19
ROCE	(%)	13.70	12.74	7.67
Total Debt/Tangible Net Worth	Times	1.78	2.49	3.53
PBDIT/Interest	Times	3.08	3.14	2.63
Total Debt/PBDIT	Times	3.50	4.41	8.30
Gross Current Assets (Days)	Days	86	100	117

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)
12-March-2018	Cash Credit	Long Term	22.43 (Enhanced from Rs.20.00 crore)	SMERA BB+/ Stable (Upgraded)
	Term loans	Long Term	1.10 (Reduced from Rs.2.92 crore)	SMERA BB+/ Stable (Upgraded)
	Term loans	Long Term	7.03 (Reduced from Rs.7.89 crore)	SMERA BB+/ Stable (Upgraded)
	Bank guarantee	Short Term	1.50 (Enhanced from Rs.1.25 crore)	SMERA A4+ (Reaffirmed)

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	25.00 (Enhanced from Rs. 22.43 crore)	SMERA BB+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.10 (Reduced from Rs.2.92 crore)	SMERA BB+/ Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.03 (Reduced from Rs.7.89 crore)	SMERA BB+/ Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.43	SMERA BB+/ Stable (Assigned)
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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