

Press Release

Vibrant Cotfab Private Limited

May 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs. 23.00 crore bank facilities of Vibrant Cotfab Private Limited. The outlook is '**Stable**'.

Vibrant Cotfab Private Limited (VCPL), incorporated in July 2013 is an Ahmedabad-based company engaged in the manufacture of grey fabric since November 2016. VCPL manufactures cotton fabric of 20-30 count. The installed manufacturing capacity is ~4.80 lakhs meters per month and the current utilisation is 70.00 percent.

Key Rating Drivers

Strengths

- **Experienced management**

VCPL is an Ahmedabad-based company engaged in the manufacture of grey fabric. The company was promoted by Mr. Pawan Jalan, Ms. Kavita Jalan, Mr. Dineshkumar Bansal and Mr. Bijaykumar Agarwal who possess experience of over three decades in the textile industry.

- **Locational advantage**

The manufacturing facility is located at Ahmedabad in close proximity to key raw materials and customers.

Weaknesses

- **Nascent stage of operations**

The operations of the company are at a nascent stage since VCPL began trading of grey fabric in FY2014 and subsequently commenced manufacturing of the same in FY2016. The company achieved revenue of ~Rs.25 crore (provisional) in FY2017.

- **Average financial risk profile**

The gearing (Debt-to equity) stood at 0.07 times as on 31 March, 2016. The ICR (Interest coverage ratio) stood at 3.39 times in FY2016 as against 3.73 times in FY2015. However, in FY2017 the company has raised a term loan of Rs.18.00 crore for new machinery and ~Rs.5.00 crore as working capital borrowings. Further, the tangible net worth stood at Rs.5.27 crore in 31 March, 2016.

- **Intense competition**

The company operates in a highly competitive industry with several organised and unorganised grey cloth manufacturers and traders.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Vibrant Cotfab Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that VCPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue along with profit margins while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of lower-than-expected profitability or deterioration in the liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.1.63 crore, as compared with net profit of Rs.0.01 crore on operating income of Rs.4.35 crore in FY2014-15. The tangible net worth stood at Rs.5.27 crore as on March 31, 2016 as against net worth of Rs.1.86 crore a year earlier.

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

None

Any other information

None

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>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	31-Dec-2022	18.00	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

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ABOUT SMERA

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