

## Press Release

Vikas Fabric Finers

June 29, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 11.03 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 11.03 crore bank facilities of Vikas Fabric Finers. The outlook is '**Stable**'.

Vikas Fabric Finers (VFF), a partnership firm established in 2015 by Mr. Vikas P. Bansal and Mrs. Sunita P. Bansal is engaged in the manufacturing of knitted fabrics. The manufacturing facilities are located at Surat, Gujarat.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoters, Mr. Vikas P. Bansal and Mrs. Sunita P. Bansal have over two decades of experience in the textile industry.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by low net worth of Rs.4.03 crore as on 31 March, 2017 (Provisional) supported by unsecured loans which are subordinated to bank debt. The gearing (debt to equity ratio) stands at 1.81 times as on 31 March, 2017 (Provisionals) as compared to 2.05 times as on 31 March, 2016. The Interest coverage ratio (ICR) stood at 3.04 times for FY2017 (Provisionals) as compared to 2.75 times for FY2016.

#### Weaknesses

- **Limited operational track record**

VFF commenced commercial operations from October 2015. The installed capacity is 11,70,000 kgs per annum and the current capacity utilisation is ~80 percent.

- **Modest scale of operations**

The scale of operations are moderate with operating income of Rs.15.26 crore in FY2017 (Provisionals) as compared to Rs.4.98 crore in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive with gross current assets (GCA) of 153 days mainly on account of high debtor levels of 131 days in FY2017. The average working capital utilisation has been around 85 percent in the last six months ended May 2017.

- **Susceptibility of profitability to volatility in raw material prices**

The firm's profitability is susceptible to volatility in raw material prices (grey fabrics) which are linked to raw cotton prices. The operating profitability stood at 16.85 percent in FY2017

(Provisionals).

• **Competition from small and established players in the textile industry**

VFF operates in a highly fragmented textile industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of Vikas Fabric Finers to arrive at the rating.

**Outlook: Stable**

SMERA believes that VFF will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

**About the Rated Entity - Key Financials**

For FY2016-17 (Provisionals), the firm registered net profit of Rs.0.57 crore on operating income of Rs.15.26 crore as compared to net profit of Rs.0.08 crore on operating income of Rs 4.98 crore in FY2016. The net worth stood at Rs.4.03 crore as on 31 March, 2017 (Provisionals) as compared to Rs.2.78 crore as on 31 March, 2016.

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

None

**Any other information**

Not available

**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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.22	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.35	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA BB- / Stable

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.36	SMERA A4
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## Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Ankit Gupta Analyst - Rating Operations Tel: 022-67141263 <a href="mailto:ankit.gupta@smera.in">ankit.gupta@smera.in</a>	

## ABOUT SMERA

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