Acuite RATINGS & RESEARCH

Press Release

Vibrant Fab Private Limited

December 20, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 15.00 crore bank facilities of Vibrant Fab Private Limited (VFPL). The outlook is **'Stable'**.

VFPL was incorporated in 2011 by Mr. Nirmal Desai and Mr. Hitesh Desai. VFPL is engaged in manufacture and wholesale exports of fabric & garments. The company outsources the manufacturing activity to manufacturers located in Surat. The company exports to countries including Dubai, UAE, Kuwait, Jeddah, Trininad, Panama, Hong Kong, Singapore and Malaysia along with the domestic market.

Analytical Approach

To arrive at the rating, Acuité has considered the consolidated business and financial risk profiles of Vibrant Fab Private Limited (VFPL), Vibrant Fashion Private Limited (Vibrant Fashion), Allure Tex Trend Private Limited (ATTPL), Jashank Impex Private Limited (JIPL) and Swayam Exim Private Limited (SEPL) together referred to as the Vibrant group. The consolidation is due to the same line of business and common promoters. Further, the group has common customer and supplier base. Extent of Consolidation : Full.

Key Rating Drivers

Strengths

- **Experienced promoters**

The group is promoted by Mr. Nirmal Desai, Mr. Hitesh Desai, Mr. Anil Gupta and Mr. Himanshu Choksi who collectively possess more than two decades of experience in the textile industry. This has helped the group in establishing its presence in domestic and overseas market. The same is also reflected through its healthy revenue growth, the revenues of the group grew at a CAGR of ~9 per cent over the last three years through 2017-18. Acuité believes that the extensive experience of the promoter will fortify the business risk profile of the group over the medium term.

- **Moderate financial risk profile**

Vibrant group's financial risk profile is moderate marked by moderate net worth, moderate gearing and above average debt protection measures. The financial risk profile of the group is moderate marked by tangible net worth of Rs.26.89 crore as on 31 March, 2018 (Provisional) as against Rs.23.17 crore in the previous year. The group has followed marginally conservative debt policy wherein the debt to equity ratio stood at 1.33 times as on 31 March, 2018 (Provisional) as against 1.44 times in the previous year. The total debt of Rs.35.83 crore includes short term borrowing of Rs.32.44 crore, long term borrowing of Rs.0.14 crore and unsecured loan from related parties of Rs.3.25 crore as on 31 March, 2018 (Provisional).

Further, the year on year growth in revenue along with profitability has led to improvement in the coverage indicators of the group as the interest coverage ratio stood at 2.70 times for FY2018 (Provisional) as against 1.62 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.11 times for FY2018 (Provisional) as against 0.05 times in the previous year. The total outside liabilities to tangible net worth (TOL/TNW) stood at 3.37 times as on 31 March, 2018 (Provisional) as against 4.88 times in the previous year. Acuité believes that the financial risk profile of the group will continue to remain moderate on account of its stable operating margins and the absence of major debt funded capex plan.

Weaknesses

- **Modest scale of operation coupled with low profit margins**

The group has reported operating income of Rs.261.29 crore for FY2018 (Provisional) as against Rs.258.15 crore in the previous year. The stagnant revenue is on account of the slowdown in sales due to GST implementation; which lead to contraction in manufacturing and thereby supply in the market. However, as informed by the management the group has reported operating income of Rs.197.00 crore during the period from April, 2018 to November, 2018. Further, the group operates at low profitability as the operating margin stood at 3.37 percent for FY2018 (Provisional) as against 2.13 percent in the previous year. The improvement in the margins is due to sale of high margin value products during FY 2017-18. The group derives majority of its revenue from exports, hence the margins are susceptible to volatility in foreign exchange rate in the absence of adequate hedging mechanism. Going forward, the group's ability to improve its profitability margins will remain a key rating sensitivity factor.

- **Working capital intensive nature of operations**

The operating cycle of the group is stretched as the Gross Current Assets (GCA) stood at 154 days for FY2018 (Provisional) as against 182 days in the previous year. This is on account of high receivable days; however same has improved from 88 days in FY2018 (Provisional) as against 138 days in the previous year. The inventory stood at 57 days for FY2018 (provisional) as against 37 days in the previous year, mainly due to increase in raw material inventory. Further, the stretched GCA days are also on account of high amount of other current assets which mainly includes duty drawback receivables. The current ratio stood at 1.27 times as on 31 March, 2018 (Provisional) as against 1.16 times in the previous year.

About the Group

Vibrant Group is promoted by Mr. Nirmal Desai, Mr. Hitesh Desai, Mr. Anil Gupta and Mr. Himanshu Choksi. The group is engaged in trading and manufacturing of textile products including fabrics, scarfs, duppatta, kurti, salwar, dress material, suiting and readymade garments. The group mainly outsources the manufacturing activity to units located in Surat. Vibrant group comprises of five companies Vibrant Fab Private Limited (VFPL), Vibrant Fashion Private Limited (Vibrant Fashion), Allure Tex Trend Private Limited (ATTPL), Jashank Impex Private Limited (JIPL) and Swayam Exim Private Limited (SEPL). Around 75 percent of its total revenue is derived from exports to countries including Dubai, UAE, Kuwait, Jeddah, Trininad, Panama, Hong Kong, Singapore and Malaysia, while remaining 25 percent is derived from the domestic market.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	261.29	258.15	202.33
EBITDA	Rs. Cr.	8.79	5.49	4.23
PAT	Rs. Cr.	3.71	1.40	1.11
EBITDA Margin	(%)	3.37	2.13	2.09
PAT Margin	(%)	1.42	0.54	0.55
ROCE	(%)	14.81	11.29	12.40
Total Debt/Tangible Net Worth	Times	1.33	1.44	1.18
PBDIT/Interest	Times	2.70	1.62	1.61
Total Debt/PBDIT	Times	3.94	5.74	5.12
Gross Current Assets (Days)	Days	154	182	144

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Oct-2018	Packing Credit	Short Term	6.70	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	8.30	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	6.70	ACUITE A4+ (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	8.30	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:
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