

Press Release

Vitthal Textiles Private Limited

D-U-N-S® Number: 86-944-3003



December 18, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.20 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) to the Rs. 7.20 crore bank facilities of Vitthal Textiles Private Limited (VTPL). The outlook is '**Stable**'.

Incorporated in 2005, VTPL is a Maharashtra-based company promoted by Mr. Ashish Gujrathi and Mr. Prasanna Gujrathi. The company is engaged in manufacturing of grey fabrics with powerloom. The company has its manufacturing facility located in Shirpur (Maharashtra) with weaving capacity of 3 looms and has 45 looms on jobwork basis.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of VTPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

VTPL has its presence in the textile industry for more than a decade. The promoters have vast experience of nearly two decades in this industry. The firm is engaged in manufacturing of grey fabrics.

Acuité believes that VTPL will benefit from the experienced management which will help the firm to maintain long standing relations with its customer such as Welspun India Limited, Indo Count Industries Limited, GHCL Limited among others and suppliers.

- **Average financial risk profile**

The financial risk profile is average marked by tangible net worth of Rs.2.96 crore as on 31 March, 2018 as against Rs.2.63 crore in the previous year. The gearing stood at 2.17 times as on 31 March, 2018 as against 2.71 times in the previous year. The total debt of Rs.6.42 crore includes working capital borrowing of Rs.5.63 crore and unsecured loan of Rs.0.79 crore. Interest Coverage Ratio (ICR) stood at 1.95 times in FY2018 as against 1.77 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood high at 4.66 times as on 31 March, 2018 as against 4.81 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.08 times in FY2018 compared to 0.07 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

Weaknesses

- **Working capital intensive operations**

The company's operations are working capital intensive marked by high Gross Current Assets (GCA) of 156 days in FY2018 as compared to 142 days in FY2017. The GCA days are mainly dominated by high collection period of 116 days in FY2018 compared to 113 days in FY2017. The inventory holding stood at 15 days in FY2018 compared to 17 days in FY2017. Further, the average cash credit utilisation stood

at ~75.00 percent till November, 2018.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Susceptible to volatility in raw material prices

The main raw material purchased by the company is cotton. Hence, the margins are susceptible to changes in cotton prices. Cotton being an agricultural commodity, the availability and price of the same is highly dependent on agro-climatic conditions. However, the company has been able to maintain its operating margins in the range of 3.13 percent for FY2018 as against 4.00 percent for FY2017.

Outlook: Stable

Acuité believes that the outlook of VTPL will remain 'Stable' over the medium term backed by experience of the management in the textile industry. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or lengthening of the working capital cycle, thereby resulting in deterioration in the financial risk profile or liquidity position of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.57	30.73	28.72
EBITDA	Rs. Cr.	0.99	1.23	1.48
PAT	Rs. Cr.	0.33	0.30	0.30
EBITDA Margin	(%)	3.13	4.00	5.15
PAT Margin	(%)	1.04	0.97	1.04
ROCE	(%)	8.74	11.81	28.85
Total Debt/Tangible Net Worth	Times	2.17	2.71	2.68
PBDIT/Interest	Times	1.95	1.77	1.70
Total Debt/PBDIT	Times	5.94	5.31	4.01
Gross Current Assets (Days)	Days	156	142	102

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

CRISIL, vide its press release dated May 03, 2018 has denoted the rating of Vitthal Textiles Private Limited as 'CRISIL B+/Stable/CRISIL A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	7.20*	ACUITE B+ / Stable

*sublimit – PC/PCFC/FBP/FBD/BP/BD of Rs. 1.00 crore of CC facility

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About Acuité Ratings & Research:

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