

Press Release

Vanipriya Textiles Private Limited

November 08, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 10.00 crore bank facilities of Vanipriya Textiles Private Limited (VTPL). The outlook is '**Stable**'.

Vanipriya Textiles Private Limited (VTPL) based Mumbai was incorporated in 1989. The company is involved in Manufacturing of Yarn-Spinning related to textiles. The Plant is located at Dindigul Tamilnadu and specialized in Fancy yarn. The top customers of yarn are D Décor Export & D Décor Home fabrics, Dicitex Furnishing, G M Syntax, Siyaram Silk mill.

About group

K K Birla Group is promoted by Mr. Kamal Birla since 1966 and is engaged in trading, manufacturing of various type of yarns. The group is specialized in fancy yarn and has over two decades of establish presence in textile yarn industry. The group consist of two companies which is K K Birla and Co (KKBC) and Vanipriya Textiles Private Limited (VTPL). The manufacturing unit is located at Dindigul Tamilnadu with installed capacity of 15000 spindles.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of the K K Birla and Co (KKBC) and Vanipriya Textiles Private Limited (VTPL) together referred as 'K K Birla Group' to arrive at this rating. The consolidation is based on common promoter, same line of business and operational synergy within the group. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced promoter**

The proprietor Mr. Kamal Birla possess over two decades of experience in the textile manufacturing and trading business. The establish network and extensive experience of the promoter has helped the firm to establish long standing relationships with the customers and suppliers.

- **Moderate Financial risk profile**

The financial risk profile is marked by moderate net worth of Rs. 32.87 crore as on 31 March 2019 as against Rs. 26.68 crore as on 31 March 2018. The net worth includes unsecured loans of Rs. 9.81 crore as on 31 March 2019 and Rs.9.17 crore as on 31 March 2018 treated as quasi capital. The gearing ratio (debt equity) stood moderate at 1.20 times as on 31 March 2019 as against 1.07 times as on 31 March 2018.the increase is due to debt funded capex for addition of plant and machinery. TOL/TNW stood at 1.85 times as on 31 March 2019 as against 1.84 times as on 31 March 2018. The interest coverage ratio (ICR) stood at 1.70 times as on 31 March 2019 as against 1.62 times as on 31 March 2018. The debt service coverage ratio (DSCR) stood at 1.53 times in FY2019 as against 1.49 times in FY2018.

Weaknesses

- **Moderate working capital cycle**

The working capital cycle of the company is marked by Gross Current Assets (GCA) days of 217 for FY2019 as against 205 days in FY2018. The GCA is marked by extended credit provided resulting in stretch in receivables which stood at 122 days in FY2019 as against 94 days in FY2018. On the other hand, the

company gets a limited credit period from its suppliers, leading to higher reliance on working capital limits. The average working capital limits are utilised fully for last six months ending July 2019.

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

The raw material used for trading is raw cotton prices are highly volatile in nature and are largely dependent on factors such as area under cultivation, crop yield, international demand-supply scenario, export quota decided by the government and inventory of the previous year. Volatility in the prices of cotton, the major raw material, impacts profitability of the company. Acuité believes trading nature of business is constrain by bargaining power with customers and volatility in margins affected by raw material price fluctuations.

Rating Sensitivities

- Uneven Revenues
- Improving Margins
- Moderately working capital intensive nature

Material Covenants

Not Any

Liquidity Position: Adequate

Liquidity profile of the group is adequate reflected by sufficient net cash accruals against repayment of debt obligations. The group has reported cash accruals of Rs. 2.58 crore in FY2019 and expected to generate cash accruals in the range of Rs.1.65 – Rs. 2.00 crore over the medium term against repayment obligations of around Rs.1.00 to 1.50 crores for FY2020-22. The utilisation of working capital limits remains full for last six months ending July 2019. The working capital cycle of the company is marked by Gross Current Assets (GCA) days of 209 for FY2019 as against 218 days in FY2018. The current ratio stood at 1.52 times in FY2019. Acuité believes that the cushion in its accruals is expected to be absorbed into its incremental working capital operations resulting into adequate liquidity profile.

Outlook: Stable

Acuité believes that K K Birla Group will maintain a 'Stable' outlook over the medium term on the back of its experienced promoter. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	136.78	122.97	133.60
EBITDA	Rs. Cr.	6.99	5.97	3.42
PAT	Rs. Cr.	1.89	1.80	0.97
EBITDA Margin	(%)	5.11	4.85	2.56
PAT Margin	(%)	1.38	1.46	0.72
ROCE	(%)	9.97	12.71	19.13
Total Debt/Tangible Net Worth	Times	1.20	1.07	1.22
PBDIT/Interest	Times	1.70	1.62	1.56
Total Debt/PBDIT	Times	5.60	4.61	5.37
Gross Current Assets (Days)	Days	217	205	155

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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>
- Consolidation Of Companies : <https://www.acuite.in/view-rating-criteria-60.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	10.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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