

Press Release

VST Weaves India Private Limited

April 14, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.62	ACUITE BB Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	9.62	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB**' (read as **ACUITE double BB**) on the Rs. 9.62 crore bank facilities of VST Weaves India Private Limited (VWPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn based on request received from the company and no due certificate received from the banker.

About the Company

Tamil Nadu-based, VWPL was incorporated in the year 2010 by Mr. Thottipalayam Thangavell Rajavelu along with his family members. The promoter has more than 3 decades of experience in textile business. The company has 4 revenue divisions. VWPL engaged in trading of polyester staple fibre, manufacturing of viscose fabric, exporting of kerchiefs via merchant exports and windmill income.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of VWPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and diversified revenue profile:**

VWPL is promoted by Mr. Thottipalayam Thangavell Rajavelu along with his family members. Mr. Thottipalayam Thangavell Rajavelu is the Managing Director, who has more than 3 decades of experience in the textile industry. The promoters' extensive experience and long track record has helped the company in building established relation with its customers and suppliers over the years. The company has 4 revenue divisions – Trading in Polyester Fibre - This is the main revenue division the company. Out of the total sales, more than 90 percent of the revenue is derived from this division. This division is engaged in trading of Polyester Staple Fiber (PSF). The company procures PSF from Bombay Dyeing and the same is sold to the

spinning mills in and around Tamil Nadu region; manufacturing of viscose fabric division- The company has 100 handlooms and engaged in manufacturing of fabric which is sold domestically mainly in and around erode region; Merchant Exports - this division engaged in exporting of handkerchiefs. The company gets orders from merchant exporters and the same is given for job work and sold to merchant exporters; Wind mill income - the Company has 4 windmills with capacity of 1450 KW. The company generates around 5-10 percent of the total revenue from the balance three divisions.

- **Efficient working capital management:**

The working capital of the company is managed efficiently, evident from its Gross Current Assets (GCA) of 51 days as on March 31, 2021 as against 38 days as on March 31, 2020 attributable to high debtor days. The debtor days stood at 49 as on March 31, 2021 as against 37 as on March 31, 2020. Inventory days stood at 2 as on March 31, 2021 and 2020. Creditor days stood at 22 as on March 31, 2021 and 20 as on March 31, 2020. Working capital limits are utilized at 90 percent for 12 month ended January 2022.

Weaknesses

- **Moderate financial risk profile:**

The financial risk profile of the company remained moderate with modest capital structure and moderate debt protection metrics. The net worth of the company stood modest at Rs.7.60 Cr as on March 31, 2021 as against Rs.6.77 Cr as on March 31, 2020. Gearing (debt to equity) stood moderate at 1.06 times as on March 31, 2021 against 1.18 times as on March 31, 2020. Marginal decline in gearing can be attributed to moderate accretion to reserves and introduction of quasi equity of Rs. 0.24 Cr. Interest coverage ratio and Debt service coverage ratio stood at 2.97 times and 1.36 times in FY2021 as against 3.58 times and 1.64 times in FY2020, respectively. Total Outside Liabilities (TOL)/Total Net worth (TNW) stood at 2.41 times as on March 31, 2021 as against 2.98 times as on March 31, 2020.

- **High supplier concentration risk:**

The company sources the entire part of polyster staple fiber (PSF) from Bombay Dyeing Mfg & Co. Ltd, more than 90 percent of the revenue is derived from trading PSF. VWPL's sole dependence on Bombay Dyeing Mfg & Co. Ltd exposes it to supplier concentration risk.

Rating Sensitivities

Not applicable.

Material covenants

None.

Liquidity Position: Adequate

The liquidity position of the company remained adequate with adequate net cash accruals to service its debt obligations. The NCA's stood moderate and remained in the range of Rs. 2.39-1.53 Cr through FY2019- 2021 against the repayment obligation of Rs.0.67-1.00 Cr during the same period. The current ratio has consistently remained at an average of 1.30 times with modest working capital cycle days ~15-30 through 2019-21. The cash and bank balance stood at Rs.0.21 Cr as on March 31, 2021. The average working capital limit utilization stood at 90 percent 12-month ended January 2022.

Outlook: Not applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	139.66	193.44
PAT	Rs. Cr.	0.59	1.03
PAT Margin	(%)	0.42	0.53
Total Debt/Tangible Net Worth	Times	1.06	1.18
PBDIT/Interest	Times	2.97	3.58

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jan 2021	Term Loan	Long Term	1.47	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Long Term	1.06	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.98	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	3.25	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.86	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BB Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.06	ACUITE BB Reaffirmed & Withdrawn
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.47	ACUITE BB Reaffirmed & Withdrawn
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.86	ACUITE BB Reaffirmed & Withdrawn
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.98	ACUITE BB Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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