



Press Release
V P Tex Private Limited
March 29, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	41.04	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	84.96	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	1.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	127.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to **'ACUITE BBB-' (read as ACUITE triple B minus)** and short-term rating of **'ACUITE A3' (read as ACUITE A three)** on the Rs. 85.96 Cr. bank facilities of V.P. Tex Private Limited (VPTPL). The outlook is **'Stable'**.

Acuite has assigned its long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 41.04 Cr. bank facilities of V.P. Tex Private Limited (VPTPL). The outlook is **'Stable'**.

Rationale for reaffirmation:

The rating reaffirmation takes into account the improved operating income, improvement in EBITDA margin and moderate financial profile of VPTPL. The operating income of VPTPL has been consistently growing since the last two years ending FY2023. The Company's revenue stood at Rs.331.91 Cr. in FY2023 as against Rs. 268.40 Cr. in FY2022. The operating margins improved to 12.01 percent in FY2023 as against 10.00 percent in FY2022. The financial risk profile of the company continues to remain moderate with moderate debt protection metrics and moderate gearing. The overall gearing of the Company stood at 2.02 times as on March 31, 2023 as against 1.30 times as on March 31, 2022. The interest coverage ratio stood at 5.97 times in FY2023 as against 5.41 times in FY2022.

The rating is however constrained on account of intensive working capital operations, exposure to supplier concentration risk and intense competition in the textile industry.

About the Company

Incorporated in 2011, V.P. Tex Private Limited (VPTPL) is an Erode (Tamil Nadu) based company VPTPL is a closely held private limited company, promoted by Mr. Velappan Srinivasan, Mr. Vasudevan Velappan, Mr. Velappan Sengodan, Mr. Manoj Kumar Srinivasan. VPTPL manufactures varieties of fabrics in Viscose / Micro Modal / Flax / Cotton Linen / Cotton Flax/ Rayon Linen/Viscose / Modal/Cotton Viscose/Cotton Modal/ Rayon Creap/Linen in its manufacturing facility located at Pallipalayam at Erode (Tamil Nadu). It has 230 airjet looms and 360 power looms for weaving to produce 40 lakh meters of cloth) per month.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of VPTPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Promoter's extensive industry experience and established track record of the company**

VPTPL's promoters' have an established presence in the textile industry for nearly two decades with a competent management supported by a team of qualified and experienced second line personnels. This has helped VPTPL in building healthy relationship with its suppliers and customers to ensure a steady raw material supply and repeat business. VPTPL's revenue is expected to improve over the medium term driven by enhanced capacity from 130 airjet looms to 230 airjet looms in FY2023, further in current year (i.e, FY2024) they are enhancing their capacity to 246 airjet looms. Acuité believes that VPTPL is expected to benefit from its experienced management, established relations with its stakeholders and local presence.

- **Improving scale of operations**

The operating income of VPTPL has been improving last two years ending FY2023. The revenues stood at Rs.331.91 Cr. in FY2023 with YOY growth of 23.66 percent as against Rs.268.40 Cr. in FY2022. The improvement in the revenue is on account of addition of air – jet looms and Warping Machines in FY2023. The EBITDA margin is continued to be reported healthy which stood at 12.01 percent in FY2023 as against 10.00 percent in FY2022. Acuite believes that going forward; the margins would remain in the range of 13-14 percent and revenue's are likely to show stable performance.

- **Moderate Financial risk profile**

VPTPL's financial risk profile remained moderate with moderate capital structure and debt protection metrics. The net worth of the company stood at Rs.49.02 Cr. and Rs.40.91 Cr. as on March 31, 2023 and 2022 respectively. The gearing of the company has slightly deteriorated on account increase in debt levels in FY2023, which stood at 2.02 times as on March 31, 2023 against 1.30 times as on March 31, 2022. However in next one to two years it expected to improve on account of repayment of the long term debt. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 5.97 times and 2.30 times as on March 31, 2023 respectively as against 5.14 times and 2.14 times as on March 31, 2022 respectively. TOL/TNW stood at 3.20 times and 2.90 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 2.47 times as on March 31, 2023 as against 1.95 times as on March, 2022. Acuité believes that the company will maintain its financial risk profile on account of its improving scale of operations, stable operating matrices and no additional debt funded capex plans over the medium term.

Weaknesses

- **Working capital intensive nature of operations**

VPTPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of 121 days as on March 31, 2023 as against 144 days as on March 31, 2021. However, there is slight improvement in GCA days is on account of improvement in debtor days and inventory days. Inventory days stood at 20 days as on 31st March, 2023 as against 25 days as on 31 March, 2022. The debtor day stood at 87 days as on March 31, 2023 as against 96 days as on March 31, 2022. Subsequently, the payable period stood at 65 days as on March 31, 2023 as against 97 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last twelve months ended

December, 23 remained at ~65 percent for fund based.

- **Exposure to supplier concentration risk and intense competition**

As more than 90 percent of the raw material requirement (viscose fibre) is procured from Mothi spinner private limited (rated ACUITE BBB+/Stable/A2), VPTPL is exposed to significant supplier risk concentration. However, longstanding relationship with the supplier mitigates this risk. Intense competition in the textile industry because of many unorganised players restricts pricing flexibility and bargaining power with customers and suppliers. The operating profitability of VPTPL is exposed to volatility in key raw material prices, including polyester and viscose, as it has relatively limited pricing flexibility in a fragmented industry.

Rating Sensitivities

- Strong growth in revenues, while maintaining its healthy profitability and capital structure.
- Further stretch in the working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity

Liquidity Position: Adequate

The company's liquidity is adequate marked by generation of adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.29.35 Cr. in FY2023 as against the repayment of Rs.8.95 Cr. for the same period and expected to generate cash accruals in the range of Rs.34- 40 Cr. against CPLTD of Rs.12.06- 12.96 Cr. over the medium term. Further, the average bank limit utilization in the last twelve months ended December, 23 remained at ~65 percent for fund based. Unencumbered cash and bank balances stood at Rs. 0.34 Cr. as on March 31, 2023. The current ratio of the company stood at 1.21 times as on March, 2023. Acuité believes that VPTPL's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuité believes that VPTPL will maintain a 'Stable' outlook over the medium term from its promoter's entrepreneurial experience. The outlook may be revised to 'Positive' in case the company registers higher than-expected 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 a decline in the company's revenues or profit margins, or any significant debt-funded capex leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	331.91	268.40
PAT	Rs. Cr.	9.08	6.70
PAT Margin	(%)	2.74	2.50
Total Debt/Tangible Net Worth	Times	2.02	1.30
PBDIT/Interest	Times	5.97	5.41

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jan 2024	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	8.14	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.21	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.36	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.84	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	0.85	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	2.66	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	2.72	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	1.64	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	2.37	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	1.24	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	3.92	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
	Term Loan	Long Term	3.49	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)
Term Loan	Long Term	2.31	ACUITE BBB- Not Applicable (Reaffirmed & Withdrawn)	
04 Nov 2022	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	1.21	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.52	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.55	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	16.85	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	10.20	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	8.14	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	8.60	ACUITE BBB- Stable (Assigned)
		Long		

	Term Loan	Term	7.03	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	8.48	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.12	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.56	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.38	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.36	ACUITE BBB- Stable (Reaffirmed)
06 Aug 2021	Bank Guarantee (BLR)	Short Term	2.15	ACUITE A3 (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.74	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.76	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.55	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	11.35	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	8.27	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	4.18	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.75	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Jun 2027	Simple	8.14	ACUITE BBB- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Jun 2027	Simple	1.68	ACUITE BBB- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	08 Jul 2027	Simple	1.70	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Jun 2026	Simple	4.37	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Feb 2027	Simple	5.76	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Feb 2027	Simple	3.48	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Oct 2024	Simple	1.19	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Sep 2028	Simple	3.14	ACUITE BBB- Stable Reaffirmed

HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Sep 2028	Simple	3.36	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Aug 2028	Simple	12.93	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Apr 2029	Simple	6.71	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Dec 2029	Simple	6.29	ACUITE BBB- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	11 Nov 2029	Simple	1.21	ACUITE BBB- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	11 Nov 2029	Simple	0.86	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Sep 2028	Simple	0.06	ACUITE BBB- Stable Assigned
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Apr 2029	Simple	7.61	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2031	Simple	9.05	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Apr 2031	Simple	7.71	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.