

Press Release

Valiant Glass Works Private Limited

December 13, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term Facility/Short Term Facility – Non Fund Based – Bank Guarantee	4.38	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook) / IVR A3 (IVR A Three)	Assigned
2.	Short Term Facility – Fund Based – PC/PCFC/FBD/FBE/BRD	64.00	IVR A3 (IVR A Three)	Assigned
3.	Short Term Facility – Non Fund Based – Letter of Credit	2.00	IVR A3 (IVR A Three)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Valiant Glass Works Private Limited derives comfort from its Experienced promoters with long track record of operations, improving operating income and profitability, diversified customers and product base and moderate debt protection metrics. However, the rating strengths are partially offset by working capital intensive nature of operations, Intense competition in the industry & foreign exchange fluctuation risk.

Key Rating Sensitivities

Upward revision factors:

- Significant improvement in scale of operation
- Significant improvement in profitability margins

Downward revision factors:

- Sharp deterioration in debt protection metrics
- Significant Foreign exchange losses

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters with long track record of operations

The company started its operations in 1971. The promoters of the company Mr. Dilip Kumar Pacheriwal (Director) and Mr. Pradeep Kumar Pacheriwal (Director) have more than 2 decades of experience into the textile industry. Mr. Dilip is responsible for marketing and production of textile whereas Mr. Pradeep is responsible for financial planning and execution. There are other members like Mrs. Neha Ganeriwal who is responsible for initiating business into European and US market. Therefore, company has experienced management, adding credence & professionalism in the governance of the company.

Improving in operating income and profitability

The scale of operation has improved in FY19 to Rs. 254.68 crore from Rs. 199.25 crore in FY18. Company posted a moderate PAT margin in FY19 of 2.10% as compared to negative PAT margin in FY18. The EBITDA margin of the company was moderate at 6.85% for FY19, up from 4.86% in FY18.

Diversified customers and product base

The company has wide range of textile products in cotton, polyester and blended fabrics and it also includes made-ups like bed set, cushion and curtains etc. The top 10 local customers contribute around 30.33% of total domestic sales and 38.30% of total export sales in FY19 reflecting diversified customer base.

Moderate debt protection metrics

The overall gearing of the company was comfortable at 0.95x as on 31st March 2019. Other debt coverage indicators were also adequate, with interest coverage at 2.98x and Total debt to GCA at 5.21x in 31st March 2019.

Key Rating Weaknesses

Working capital intensive nature of operation

Operations of the company are working capital intensive in nature. The debtor's days of the company were generally high side over the years, though they improved to 111 days in FY19 from 144 days in FY18. The company has to extend long periods of credit to its clients resulting high debtor's collection period. Though, the operating cycle of the company has been at 66

days in FY19. The turnover has also increased by around 27.81% during this period. As a result of which, the average utilisation of working capital limits of the company remained at a moderate level of about 74.44% during 12 months ended September 30, 2019.

Intense competition in the industry and fragmented players

The industry is highly competitive due to presence of many organized and unorganized players coupled with low entry barriers. Intense competition reduces the pricing power of the industry players.

Foreign exchange fluctuation risk

The company generates 59.79% of its revenue from export business. VGWPL does not enjoy any natural hedge. VGWPL does not hedge its export receivable and thereby is susceptible to forex risk. Although the company exports to various countries but majority of exports are done to US markets.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company's working capital limits remained moderately utilized at 74.44% during the last 12 months ended September 2019. The company has adequate cash accruals in FY19 and is expected to generate more cash accruals over the ensuing 12-month period, which will help them to tide over minimal debt repayments.

About the Company

Valiant Glass Works Private Limited (VGWPL) started its operation in 1971 in Mumbai. The company's line of business involved processing (Dyeing and printing) of fabrics and manufacturing of made-ups (including Bed Sheets, Curtains, Pillows, and Decorative Cushion) and linen. The installed capacity of Valiant is about 5 lac meters of fabric in smaller width and 60,000 meters in wider width. The company has various range of cottons, polyester and blended fabrics, it also has various chemicals & processes to give a different feel to the fabric. The

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company is also engaged in export of its production to markets such as UK, Africa, Germany, USA and Canada. The clients of VGWPL include well-known brands.

Financials:

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	199.25	254.68
EBITDA	9.69	17.44
PAT	-1.55	5.36
Total Debt	67.26	63.15
Tangible Net-worth	72.81	77.48
EBITDA Margin (%)	4.86	6.85
PAT Margin (%)	-0.78	2.10
Overall Gearing Ratio (x)	1.09	0.95

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CARE Ratings have moved the rating of Valiant Glass Works Private Limited into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated March 08, 2019.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. cr.)	Rating	Date(s) & Rating(s) assigned in 18-19	Date(s) & Rating(s) assigned in 17-18	Date(s) & Rating(s) assigned in 16-17
1.	Long Term/Short Term Bank Facility – Bank Guarantee	Long Term/Short term	4.38	IVR BBB-/ Stable Outlook/ IVR A3	--	--	--
2.	Short Term Facility – Fund Based – PC/PCFC/FBD/FBE/BRD	Short Term	64.00	IVR A3	--	--	--
3.	Short Term Facility – Non Fund Based – Letter of Credit	Short Term	2.00	IVR A3	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term/Short Term Bank Facility – Bank Guarantee	NA	NA	NA	4.38	IVR BBB-/ Stable Outlook/ IVR A3
Short Term Facility – Fund Based – PC/PCFC/FBD/FBE/BRD	NA	NA	NA	64.00	IVR A3
Short Term Facility – Non Fund Based – Letter of Credit	NA	NA	NA	2.00	IVR A3