



Press Release

Vikram Nuvotech India Private Limited

May 14, 2020

Ratings

Sl. No.	Instrument / Facility	Amount (Rs. Crores)	Rating	Rating Action
1	Long Term Facility - Fund Based – Term Loan	78.09 (reduced from Rs.87.00 crore)	IVR BB/Stable (IVR Double B with Stable Outlook)	Revised from IVR D
2	Long Term Facility – Fund Based – Cash Credit	35.00	IVR BB/Stable (IVR Double B with Stable Outlook)	Revised from IVR D
3	Long Term Facility – Non Fund Based – Bank Guarantee	6.25	IVR BB/Stable (IVR Double B with Stable Outlook)	Revised from IVR D
4	Short Term Facility - Letter of Credit	3.00	IVR A4 (IVR A Four)	Revised from IVR D

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in ratings reflect timely debt servicing for the three months ended April 2020. Further the rating continues to derive comfort from its experienced board of directors, diverse revenue sources, healthy supplier network, healthy relationships with reputed clients along a diversified customer base and strong growth prospects due to increased demand for personal protective equipment caused by the advent of Covid-19. The rating strengths however, are continues to remain constrained by its decline in topline, moderate financial risk profile and stretched liquidity position, working capital intensive nature of operations, geographical concentration risk and raw material price risk.

Key Rating Factors

Key Rating Strengths

Experienced Board of Directors

Vikram Nuvotech India Private Limited is a very well-known company in the state of Gujarat, originating in 1987 and guided by Mr. Anil Chaudhary, who has over 28 years of experience



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and is the main promoter and managing director of the company in the business of textiles, solar energy forging and other activities. Mr. Srinarayan Periwai, Mr. Pawan Kumar Kokra & Mr. Bajrang Garg are the directors of Pioneer Syntex division bringing in a wealth of experience, the Pioneer Hygiene division is headed by Mr. Manoj Agarwal. The Maruti Textile Division is being spearheaded by Mr. Anil Chaudhary.

Diverse sources of revenues

Vikram Nuvotech has a diversified product portfolio arising out of its textile and hygiene divisions comprising fabrics (satin, jacquards, georgette, chiffon, polyester cotton, rayon, viscose and 100% cotton fabrics), sarees (hand printed sarees, embroidery sarees, handwork embroidery sarees available in different fabrics and shades), dresses (printed dresses, sequence embroidery dresses, handwork embroidery dresses), Manufacturing of Polyethylene (PE) films (PE breathable and non-breathable films, PE Printed Breathable and Non Breathable Films, PE Laminated Breathable and Non Breathable Films, PE Printed Laminated Breathable and Non Breathable Films) catering to a variety of customers including garment manufacturers. This enables the company to reap the benefits of conglomeration and considerably insulates itself from any sectoral volatility.

Healthy Supplier network

The company has a good supplier network. Its top five suppliers constitute around 28% of its total raw material purchases which indicates a moderately diversified supply network. Further, majority of its local suppliers are located in its close vicinity within the bounds of Surat; which helps the company to save on logistics and prevent any supply chain disruptions.

Healthy relationships with reputed clients and diversified customer base

Pioneer Hygiene division started its commercial production from FY18, and within this short span of time they have been able to bag top-notch clients including Unicharm India Private Limited, Millenium Babycare Pvt. Ltd and MD Hygiene Pvt. Ltd; to name a few. Unicharm Corporation is a Japan based company that is mainly engaged in the manufacture and sale of baby care products, feminine care products and pet care products with whom they have entered into a long term contract for the supply of PE Films (Polyethylene Film).



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Healthy growth prospects due to increased demand for personal protective equipment caused by the advent of COVID-19

The hygiene division of VNPL manufactures printed breathable and non-breathable films, laminated printed breathable and non-breathable films which are mainly used in the manufacture of medical equipment such as face masks, sanitary napkins, diapers, personal protective equipment and backsheets; this has led to opportunities for the company.

Key Rating Weaknesses

Decline in top line

VNPL has experienced a dip in their top line as they saw their operating income go down by 9% to Rs. 166.85 Cr. in FY 19 from Rs. 183.41 Cr. in FY18; the erosion in top line was majorly due to the loss of Rs. 7Cr. worth of stock due to a fire breakout in their go-down in Surat on June 09, 2018; this has adversely affected the company's performance leading to them losing out on government tenders (which had fetched them Rs. 22 Cr worth of business in the previous year) and having to infuse more debt into their company to sustain the damage done due to the loss. It has achieved the revenue of Rs.154.96 crore in 10MFY20.

Working capital intensive nature of operations

The average collection period has elongated to approximately 75 days and average inventory of 58 days in FY19. This implies working capital intensive operations where much of the company cash is locked up in inventory and with the customers. The company has a negative operating cycle of -233 days, indicating that the finances of the company are tight and they only make payments to their suppliers (creditor days have increased to 366 days in FY19 from 225 days in FY18) after they receive cash from their customers.

Geographical concentration risk

The major concern for VNPL is that its customers and base of operations are only confined to a single state, eventually there will come a time when they will have to expand their horizons to increase their profitability as the numbers of players operating inside the state of Gujarat is increasing and the competition is becoming higher with major players entering the market. Moreover, the concentration of sales in the hands of customers within a confined boundary



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exposes the firm to uneven profits and sales as the inflows of the firm would depend on their client's performance, strategies and their overall business plans for their segment.

Raw material price risk

While the medium-term prospects are for sustained growth, there may be potential short-term uncertainties in the current outlook period which may result in short-term volatility in demand, supply and prices. A sudden slow-down in the global economy can lead to sharp drop in trade of global textiles and clothing, competitive prices and quality of synthetic fibres, and changes in government policies are important factors that can affect the textiles and apparels industry.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

Stretched - Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits and modest cash balance. The company has availed the moratorium extended by the Reserve Bank of India for the deferment of debt obligations for March-May 2020.

About the Company

Vikram Nuvotech India Pvt. Ltd. was originally incorporated on 27.07.1987 as Echkay Synthetics Private Limited. The name was changed to Sweety Processors Private Limited on 18.03.1993, on 29.07.1993 as **Pioneer Syntex Private Limited** and thereafter as Pioneer Nuvotech India Pvt. Ltd. And Vikram Nuvotech India Pvt. Ltd. (VNPL) during 2018-19. The company is engaged in dyeing and processing of fabrics meant for sarees and dress materials on job-work basis. VNPL has also entered into the field of technical textiles – Hygiene products, with Pioneer Hygiene Products (another division under VNPL). They manufacture breathable and non-breathable hygiene films which is used in products such as diapers, sanitary napkins and various medical products as well.



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Financials

(Rs. crore)

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	183.41	166.56
EBITDA	14.55	15.61
PAT	3.07	3.35
Total Debt	128.86	127.43
Tangible Networth	100.92	121.66
<u>Ratios</u>		
EBITDA Margin (%)	7.93	9.36
PAT Margin (%)	1.68	2.01
Overall Gearing Ratio (x)	1.66	1.50

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Type	Current Rating (Year 2020-21)		Rating History for the past 3 years			
			Amount outstanding (Rs. crore)	Assigned Rating	Date(s) & Rating(s) assigned in 19-20		Date(s) & Rating(s) assigned in 18-19	Date(s) & Rating(s) assigned in 17-18
1.	Term Loan	Long Term	78.09 (reduced from Rs. 87.00 crore)	IVR BB	IVR D (Nov 30, 2019)	IVR BBB-/ Stable Outlook (Sept 11, 2019)	--	--
2.	Fund Based Limits - CC	Long Term	35.00	IVR BB	IVR D (Nov 30, 2019)	IVR BBB-/ Stable Outlook (Sept 11, 2019)	--	--
3.	Non Fund Based – Bank Guarantee	Long Term	6.25	IVR BB	IVR D (Nov 30, 2019)	IVR BBB-/ Stable Outlook (Sept 11, 2019)	--	--
4..	Non Fund Based Limits – LC	Short Term	3.00	IVR A4	IVR D (Nov 30, 2019)	IVR A3 (Sept 11, 2019)	--	--

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 Debt – Term Loan	--	--	--	78.09 (reduced from Rs.87.00 crore)	IVR BB
Long Term Fund Based Limits – Cash Credit	--	--	--	35.00	IVR BB
Long Term Facility – Non Fund Based – Bank Guarantee	--	--	--	6.25	IVR BB
Short Term Non-Fund Based Limits – Letter of Credit	--	--	--	3.00	IVR A4