



Press Release

Vikram Nuvotech India Private Limited

July 07, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	82.25 (enhanced from INR78.09 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised
2.	Long Term Bank Facility – Fund Based – Cash Credit	39.00 (including proposed limit of INR4.00 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised
3.	Short Term Bank Facility – Non Fund Based – Bank Guarantee	7.00	IVR A3 (IVR A Three)	Revised
4.	Short Term Bank Facility – Non Fund Based – Letter of Credit	3.00	IVR A3 (IVR A Three)	Revised
	Total	131.25		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating revision to the bank facilities of the entity derives comfort from an experienced board of directors, diverse sources of revenues, healthy relationships with reputed clients and a diversified customer base and an improved financial risk profile. However, geographical concentration risk and raw material price risk are the rating constraints.



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Key Rating Sensitivities

Upward factors:

- Continued improvement in profitability as projected along with increase in scale of operations and improvement in working capital cycle
- Improvement in coverage and service ratios

Downward factors:

- Sharp changes in leverage
- Decline in profitability and elongation in operating cycle

Key Rating Drivers with detailed description

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 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; who has over 28 years of experience in the field of textiles.

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.



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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).

Improved financial risk profile

The profitability of the company has improved by ~31% from INR183.68 crore in FY20 to INR241.01 crore in FY21 (P), the increase in top line has been on the back of increased demand for breathable and non-breathable films having medical and hygiene applications, the EBITDA in absolute terms has increased to INR41.40 crore, with margins improving to 15.40%. The company has seen an improvement in the overall gearing ratio to 0.90x, the interest coverage ratio is comfortable at 2.30x and is expected to improve with increase in profitability over the years. The working capital cycle has improved with the company having a collection period of 77 days in FY21 (P), the inventory days have remained less than 77 days as of FY21 (P), with the operating cycle standing at 43 days.

Key Rating Weaknesses

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 players such as Raymond, Siyaram Silk Mills and Blue Blends India. Moreover, the concentration of sales in the hands of customers within a confined boundary 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.



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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 has led to sharp drop in trade of global textiles and clothing, competitive prices and quality of synthetic fibres, and this sector is also susceptible to changes in government policies are important factors that can affect the textiles and apparels industry.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The company has an above unity current ratio of 1.21x. The working capital limits have also been moderately utilised at 67.38% for 12 months ended April, 2021. Owing to the healthy profitability and adequate cash accruals, the coverage ratios are expected to be comfortable.

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 (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Provisional)
Total operating income	166.85	183.68	241.01
EBITDA	15.61	21.56	37.12
PAT	3.35	3.12	3.48
Total Debt	171.58	172.58	171.87
Tangible Net-worth	77.50	80.62	84.10
Ratios			
EBITDA Margin (%)	9.36	11.74	15.40
PAT Margin (%)	1.91	1.69	1.44
Overall Gearing Ratio (x)	1.05	0.85	0.90

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (PR dated 14.05.20)	Date(s) & Rating(s) assigned in 2019-20		Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	82.25 (enhanced from INR78.09 crore)	IVR BBB- / Stable Outlook	IVR BB / Stable Outlook	IVR D	IVR BBB- /Stable Outlook	--
2.	Long Term Bank Facility – Fund Based – Cash Credit	Long Term	39.00 (including proposed limit of INR4.00 crore)	IVR BBB- / Stable Outlook	IVR BB / Stable Outlook	IVR D	IVR BBB- /Stable Outlook	--
3.	Short Term Bank Facility – Non Fund Based – Bank Guarantee	Short Term	7.00	IVR A3	IVR A4	IVR D	IVR A3	--
4.	Short Term Bank Facility – Non Fund Based – Letter of Credit	Short Term	3.00	IVR A3	IVR A4	IVR D	IVR A3	--



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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 (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2028	82.25*	IVR BBB-/ Stable Outlook
Long Term Bank Facility – Fund Based – Cash Credit	NA	NA	Revolving	39.00 [#]	IVR BBB-/ Stable Outlook
Short Term Bank Facility – Non Fund Based – Bank Guarantee	NA	NA	Less than 1 year	7.00	IVR A3
Short Term Bank Facility – Non Fund Based – Letter of Credit	NA	NA	Less than 1 year	3.00	IVR A3

*enhanced from INR78.09 crore

[#]including proposed limit of INR4.00 crore

Annexure 2: Facility wise lender details.

<https://www.infomerics.com/admin/prfiles/lender-Vikram-Nuvotech-07-july-21-.pdf>