Press Release

Valiant Glass Works Pvt. Ltd.

May 13, 2022

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	28.10 (Increased from 25.57)	IVR BBB-/ Negative (IVR Triple B Minus with Negative Outlook)	Rating reaffirmed and removed from Credit Watch with Developing Implications; Outlook revised	Simple
Short Term Bank Facilities	71.00 (Decreased from 75.00)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	**99.10 (Rupees Ninety Nine crore and Ten lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in rating of the bank facilities of Valiant Glass Works Pvt. Ltd. (VGWPL) and removal of Credit Watch with Developing Implications factors in the experience of promoters and the company's long track record of operations. The ratings are, however, constrained by the moderation in the financial risk profile of the company, working capital intensive nature of operations, foreign exchange fluctuation risk, susceptibility of profitability to volatility in raw material prices and intense competition in the textile processing industry.

The rating outlook has been revised to Negative due to expectations of further moderation in financial risk profile of the company going forward.

Key Rating Sensitivities

Upward Factor

- Significant and sustained improvement in operating income along with EBITDA margin improving above 5% and PAT margin above 1.50% leading to improvement in overall financial risk profile of the company.
- Significant improvement in debt protection parameters and liquidity position of the company.

Downward Factor

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters with long track record of operations

Established in 1971, VGWPL operations are managed by Mr. Dilipkumar Pacheriwala, Mrs. Neha Pacheriwala and Mr. Vishal Pacheriwala, who have vast experience in the textile business. The company benefits from longstanding existence of the promoters in the industry. Over the years, the company has established market in domestic as well as internationally.

Key Rating Weaknesses

Moderation in financial risk profile of the company

VGWPL's operating income declined by 13.60%, from Rs.225.92 crore in FY20 to Rs.195.20 crore in FY21, a due to due to disruptions caused by Covid-19. EBITDA margin declined from 2.81% in FY20 to 1.07% in FY21. Costs increased due to the supply chain disruptions caused by covid-19 during H1FY21, and increase in raw material prices. The PAT margin has also declined from 2.16% in FY20 to 0.79% in FY21. Consequently, GCA declined from Rs.9.66 crore in FY20 to Rs.6.99 crore in FY21.

With increase in total debt from Rs.65.22 crore as on March 31, 2020 to Rs.90.41 crore as on March 31, 2021 and decline in GCA, VGWPL's capital structure and debt protection metrics deteriorated in FY21. The overall gearing ratio and TOL/ TNW ratio deteriorated from 0.91x and 1.46x respectively as on March 31, 2020 to 1.23x and 1.95x respectively as on March 31, 2021. Further the interest coverage ratio and total debt/GCA ratio deteriorated from 1.32x and 6.75x respectively in FY20 to 0.51x and 12.94x respectively in FY21.

VGWPL's total operating income improved by 20.55% to Rs.235.31 crore in FY22 (unaudited) due to normalization of operations post Covid-19 situations. Although, VGWPL's profitability also improved in FY22 (unaudited), with EBITDA margin and PAT margin at 1.61% and 1.02% respectively, it continues to remain subdued. Consequently, the interest coverage ratio also remained low at 0.61x in FY22 (unaudited).

Working capital intensive nature of operations

The operations of the company are working capital intensive as reflected in operating cycle of around four-five months in the last three fiscals ending FY21. The operating cycle has remained elongated on account of stretch in receivables and high inventory due to Covid-19. The company is also stretching its creditor's days to manage its working capital cycle. Accordingly, the operating cycle deteriorated from 129 days in FY20 to 158 days in FY21.

Foreign exchange fluctuation risk and susceptibility of profitability to volatility in raw material prices

The company generates over 50% of its revenue from exports and does not have any imports. However, the company avails export finance limits in the form of packing credit and post shipment finance. The company also uses forward contracts to hedge its forex exposure. Accordingly, the foreign exchange liabilities are naturally hedged to some extent. The unhedged foreign exchange exposure stood at Rs.25.30 crore as on March 31, 2021.

The company's profitability is also susceptible to volatility in the raw material prices. Any adverse movement in the raw material prices can have an adverse impact on its profitability.

Intense competition in the industry

The textile processing 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.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity of the company remains adequate marked by the sufficient cash accruals as against the long-term debt repayment obligations. The unencumbered cash and cash equivalent was Rs.6.28 crore as on March 31, 2021. Its average fund based working capital utilization for the 12 months ended March 2022 stood around 84.95%. With the capex and repayment obligations likely to be low as against the envisaged cash accruals, the liquidity shall remain adequate in the medium term.

About the Company

VGWPL started its operation in 1971 in Mumbai. The company's line of business involves processing (dyeing and printing) of fabrics and manufacturing of made-ups (including bed sheets, curtains, pillows, and decorative cushions) and linen. The manufacturing facility of VGWPL is about 1.50 lakh meters of fabric per day. The company has various range of cottons, polyester, and blended fabrics. Apart from this, it also has various chemicals and processes to give a different feel to the fabric. Apart from domestic sales, VGWPL also exports to markets such as Middle East, Africa and USA.

Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	225.92	195.20
EBITDA	6.36	2.10
PAT	5.15	1.63
Total Debt	65.22	90.41
Tangible Net Worth	71.92	73.55
Ratios		
EBITDA Margin (%)	2.81	1.07
PAT Margin (%)	2.16	0.79
Overall Gearing Ratio (x)	0.91	1.23

**As per Infomerics' standards*

Status of non-cooperation with previous CRA:

Care Ratings, vide its press release dated August 09, 2021, has continued to classify the ratings of the bank facilities of VGWPL under 'Issuer Not Cooperating' category.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (February 15, 2021)	Date(s) & Rating(s) assigned in 2019-20 (December 13, 2019)
1	Term Loans	Long Term	28.10	IVR BBB-/ Negative	-	IVR BBB-/ Credit Watch with Developing Implications	IVR BBB-/ Stable
2	PC/PCFC/FDB/FBE/BRD/FBP/FBD	Short Term	66.00	IVR A3	-	IVR A3	IVR A3
3	Letter of Credit	Short Term	5.00	IVR A3	-	IVR A3	IVR A3

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loans	-	-	March 2027	28.10	IVR BBB-/ Negative
PC/PCFC/FDB/FBE /BRD/FBP/FBD	-	-	-	66.00	IVR A3
Letter of Credit	-	-	-	5.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Valiant-Glass-May22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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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.