



Press Release

Valiant Glass Works Private Limited (VGWPL)

May 31, 2023

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Term Loan	27.14 (Reduced from INR28.10 crore)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed and Outlook Revised	Simple
Long Term Fund Based Facility – OCC / ODBD	10.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Fund Based Facility – PC/PCFC/FDB/FBE/BRD	70.00 (Increased from INR66.00 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Non-Fund Based Facility – ILC / FLC	5.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Non-Fund Based Facility – Forward Cover	2.40	IVR A3 (IVR A Three)	Assigned	Simple
Total	114.54	(Rupees One Hundred Fourteen Crore Fifty-Four Lakh Only)		

Details of facilities are in Annexure 1

Detailed Rationale

The reaffirmation as well as assignment to the long term and short-term bank facilities of Valiant Glass Works Private Limited (VGWPL) factors in Experienced promoters with long track record of operations, Improvement in profitability and Comfortable Financial Risk Profile. The ratings are, however, constrained by Working capital intensive nature of operations, Foreign exchange fluctuation risk and susceptibility of profitability to volatility in raw material prices and Intense competition in the industry.

The rating outlook has been revised to Stable due to overall improvement in the operational and financial performance of the company. The outlook revision also reflects overall improvement in the sector since Q4FY23 which is expected to sustain in FY24.



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Key Rating Sensitivities:

Upward Factors

- Significant and sustained improvement in operating income along with EBITDA and PAT margin leading to improvement in overall financial risk profile of the Company.
- Significant improvement in liquidity position of the company.

Downward Factors

- 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.

List of Key Rating Drivers with Detailed Description

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.

Improvement in overall financial performance

The Total operating income increased by ~14% Y-o-Y during FY23 (P). The total operating income stood at Rs.285.62 crore in FY23 (P) as compared to Rs.250.16 crore in FY22 (A) due to increase in realizations in the domestic as well export sales. However, EBITDA margin slightly declined to 5.55% in FY23 (P) as against 5.94% in FY22 (A). PAT margin also improved to 1.03% in FY22 (A) and 1.62% in FY23 (P) from 0.79% in FY 21 (A).

The company's financial risk profile also improved with comfortable tangible net worth (TNW) and comfortable gearing. The tangible net worth of the company stood at Rs.81.89 crore as on March 31, 2023 (March 31, 2022: Rs.76.11 crore). Gearing of the company stood



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comfortable at 1.55x as on March 31, 2023 (March 31, 2022: 1.43x). The TOL/TNW stood moderate at 2.20x as on March 31, 2023 as against 2.10x as on March 31, 2022.

Key Rating Weaknesses:

Working capital intensive nature of operations

The operations of the company are working capital intensive as reflected in operating cycle of around three to four months in the last three fiscals ending FY23. The operating cycle has remained elongated on account of stretch in receivables due to time lag in realization of export receivables. The inventory days also remains high as the Company is required to meet the export demand. The company is also stretching its creditor's days to manage its working capital cycle. Accordingly, the operating cycle remained high at 134 days in FY23 (P) which is almost at similar level of FY22 (A) i.e. 141 days.

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.11.61 crore as on March 30, 2023. 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.



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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:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

Liquidity – Adequate

The Company's GCA has improved over the years and stood at Rs.9.04 crore in FY23 (P). The Company's average fund based working capital limit utilisation stood at ~88% for the 12 months ended March 2023. Further, the company has adequate gearing headroom on the back of its comfortable capital structure as the TNW of the company stood at Rs.81.89 crore as on March 31, 2023 (Provisional). The current ratio of the Company stood at 1.46x as on March 31, 2023 (Provisional). The free cash and cash equivalent stood at Rs.4.37 crore as on March 31, 2023 (Provisional).

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.



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Financials (Standalone):

For the year ended* As on	(INR Crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	250.16	285.62
EBITDA	14.87	15.85
PAT	2.57	4.65
Total Debt	109.19	126.66
Tangible Net Worth	76.11	81.89
Ratios		
EBITDA Margin (%)	5.94	5.55
PAT Margin (%)	1.03	1.62
Overall Gearing Ratio (x)	1.43	1.55

*Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA:

CARE Ratings has continued to classify the ratings of the bank facilities of VGWPL under "ISSUER NOT COOPERATING" category, vide its press release dated October 06, 2022.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					May 13, 2022		February 15, 2021
1.	Fund Based Bank Facilities – Term Loan	Long Term	27.14	IVR BBB-/ Stable	IVR BBB-/ Negative	--	IVR BBB-/ RWDI*
2.	Fund Based Bank Facilities – OCC / ODBD	Long Term	10.00	IVR BBB-/ Stable	--	--	--
3.	Fund Based Bank Facilities – PC/PCFC/FDB/FBE/BRD	Short Term	70.00	IVR A3	IVR A3	--	IVR A3



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Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
4.	Non-Fund Based Bank Facilities – ILC / FLC	Short Term	5.00	IVR A3	IVR A3	--	IVR A3
5.	Non-Fund Based Bank Facilities – Forward Cover	Short Term	2.40	IVR A3	--	--	--

**RWDI – Rating Watch with Developing Implications*

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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.

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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
Term Loan	--	--	December 2029	5.00	IVR BBB- / Stable
Term Loan	--	--	July 2025	5.10	IVR BBB- / Stable
GECL 2	--	--	February 2026	4.69	IVR BBB- / Stable
GECL 2	--	--	March 2026	3.22	IVR BBB- / Stable
GECL 3	--	--	February 2027	6.33	IVR BBB- / Stable
GECL 3	--	--	March 2027	2.80	IVR BBB- / Stable
OCC / ODBD	--	--	Revolving	10.00	IVR BBB- / Stable
PC/PCFC/FDB/FBE /BRD	--	--	Revolving	70.00	IVR A3
ILC / FLC	--	--	--	5.00	IVR A3
Forward Cover	--	--	--	2.40	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-VGWPL-may23.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 <https://www.infomerics.com/>.