



Press Release

Vikram Nuvotech India Pvt. Ltd. (VNIPL)

October 6, 2022

Ratings

Facilities	Amount (Rs.crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	91.91 (Enhanced from Rs.82.25 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Cash Credit (CC)	39.00 (Including proposed facility of Rs.4.00 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee (BG)	12.00 (Enhanced from Rs.6.25 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Letter of Credit (LC)	3.00 (Reduced from Rs.3.75 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	145.91	One Hundred Forty-Five Crore and Ninety One Lakh only		

Details of facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of Vikram Nuvotech India Pvt Ltd continues to derive comfort from experience board of directors, diverse sources of revenue, healthy relationships with reputed clients and diversified customer base and stable financial risk profile. The ratings are, however, constrained by the geographical concentration risk and raw material price risk.

Key Rating Sensitivities:

Upward Factors

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



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- Improvement in coverage and service ratios

Downward Factors

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

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experienced Board of Directors

VNIPL is a very well-known company in the state of Gujarat, originating in 1987 and guided by Mr. Anil Chaudhary, who has over 23 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. Shri Narayan Periwal, Mr. Pawan Kumar Kokra & Mr. Bajrang Garg are the directors of Pioneer Syntex division bringing in a wealth of experience. The Vikram Hygiene division is headed by Mr. Govind Periwal. The Maruti Textile Division is being spearheaded by Mr. Manoj Agarwal; who has over 26 years of experience in the field of textiles.

Diverse sources of revenue

VNIPL 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

Vikram 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). The Company also expects to add few more reputed customers in its kitty in the coming months. Also, the company have received orders of Medical Sector Blue Films and for exports to Kenya which are to be supplied in coming months.

Improved financial risk profile

The total income of the company has almost remained stable at INR235.28 crore in FY22 (P) from INR235.66 crore in FY21 (A). The revenues from the Hygiene Division has decreased to INR75.78 crore in FY22 (P) from INR97.41 crore in FY21 (A), while, the revenues from the textile division has increased to INR159.26 crore in FY22 (P) from INR137.54 crore in FY21 (A), making the Company achieve stable sales Y-o-Y. The EBITDA margin remained range bound at ~15% during last two years ending March 31, 2022. GCA reported by the company stood at Rs.18.60 crore in FY22(P) as against debt repayment obligation of Rs.12.95 crore. Interest coverage remains comfortable at 2.22x in FY22(P) (FY21: 3.09x). Long term debt to equity ratio stood at 0.69x in FY22(P) (0.60x). Going forward, the company's financial risk profile is expected to improve on the back of expected improvement in cash accruals and decrease in debt.

In Q1FY23, the Company has achieved total operating revenue of Rs.56.01 crore (Q1FY22: Rs.56.60 crore).



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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.

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 Companies](#)

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

[Criteria on Rating Outlook](#)



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Liquidity - Adequate

The liquidity profile of VNIPL is expected to remain adequate, as marked by its expected satisfactory cash accrual in the range of ~Rs. 21 - Rs. 28 crore during FY23-25 vis-à-vis its debt repayment obligations. The average working capital limits have been adequately utilized at ~97% for 12 months ended August 31, 2022. The company has an above unity current ratio of 1.41x for FY22(P) in comparison to 1.26x for FY21(A). The Company has adequate cash and cash equivalents amounting to Rs.3.57 crore as on March 31, 2022. 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 July 27, 1987 as Echkay Synthetics Private Limited. The name was changed to Sweet Processors Private Limited on March 18, on July 29, 1993 as Pioneer Syntex Private Limited and thereafter as Pioneer Nuvotech India Pvt. Ltd. and Vikram Nuvotech India Pvt. Ltd. (VNIPL) during 2018-19. The company is engaged in dyeing and processing of fabrics meant for sarees and dress materials on job-work basis. VNIPL has also entered into the field of technical textiles – Hygiene products, with Vikram 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.

	(INR Crore)	
For the year ended* As on	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	234.95	235.04
EBITDA	36.90	36.23
PAT	6.87	4.51
Total Debt	173.74	191.95
Tangible Net Worth	140.68	141.83
<u>Ratios</u>		
EBITDA Margin (%)	15.70	15.41
PAT Margin (%)	2.91	1.92
Overall Gearing Ratio (x)	0.86	1.00

* Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA: N.A.

Any other information: N.A.



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Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (07.07.2021)	Date(s) & Rating(s) assigned in 2020-21 (14.05.2020)	Date(s) & Rating(s) assigned in 2019-20 (30.11.2019)
1.	Fund Based Bank Facilities – Term Loan	Long Term	91.91	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB/Stable	IVR D
3.	Fund Based Bank Facilities – Cash Credit (CC)	Long Term	39.00	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB/Stable	IVR D
5.	Non-Fund Based Bank Facilities – Bank Guarantee (BG)	Short Term	12.00	IVR A3	IVR A3	IVR A4	IVR D
6.	Non-Fund Based Bank Facilities – Letter of Credit (LC)	Short Term	3.00	IVR A3	IVR A3	IVR A4	IVR D

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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.



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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.

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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	-	-	Up to 2028	91.91	IVR BBB- / Stable
Cash Credit (CC)	-	-		39.00	IVR BBB- / Stable
Bank Guarantee (BG)	-	-		12.00	IVR A3
Letter of Credit (LC)	-	-		3.00	IVR A3

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



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Vikram-Nuvotech-oct22.pdf>

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

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/>.