

Press Release

Vikram Nuvotech India Private Limited

September 11, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Facility – Fund Based – Term Loan	87.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Long Term Facility – Fund Based - Cash Credit	35.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)
3.	Long Term Facility – Non Fund Based – Bank Guarantee	6.25	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)
4.	Short Term Facility – Non Fund Based – Letter of Credit	3.00	IVR A3 (IVR A Three)
	Total	131.25	

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid rating derives comfort from experienced board of directors, diverse sources of revenue, healthy supplier network, healthy relationship with reputed clients and a diversified customer base, and comfortable gearing parameters. However, the rating is constrained by a decline in top line, geographical concentration risk, working capital intensive nature of operations and raw material price risk. Growth in scale of operations, maintaining profitability and sharp changes in leverage are the key rating sensitivities.

Detailed Description of the Key Rating Drivers

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 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. Srinarayan Periwal, 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. Govind Periwal. The Maruti Textile Division is being spearheaded by Mr. Vidyut Jain; who has over 22 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), cotton knitted fabric dyeing and printing. 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 FY19, 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 top 10 customers of the textile divisions generate 13.87% of the total revenues, as they have more than 500 customers combined for both the divisions showing diversification of clients.

Comfortable gearing; however, stretched liquidity and leverage parameters

Overall gearing of the company is comfortable and improved slightly from 1.28x to 1.24x during FY18-19. However, liquidity parameters continue to be stretched with Long Term Debt/EBIDTA at 7.02x and Long Term Debt / GCA at 13.59x during FY19. This is accentuated with average utilisation of working capital limits at more than 90% during FY19.

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. 166.56 Cr. in FY 19 from Rs. 183.41 Cr. in FY18; the erosion in top line was majorly due to the loss of Rs. 8Cr. worth of stock due to a fire breakout in their go-down in Surat on June 08, 2019 (however, there is no dip in core activity); 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.

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 new players entering the segment. 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.

Working capital intensive nature of operations

The average collection period was elongated at approximately 74 days and average inventory of 51 days in FY19 (provisional). This implies working capital intensive operations where much of the company cash is locked up in inventory and with the customers. On an average, the company takes around 335 days to pay its suppliers.

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 Approach

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.

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.

Financials

(Rs. crore)

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Provisional)
Total Operating Income	183.41	166.56
EBITDA	14.55	14.40

PAT	3.07	3.13
Total Debt	128.86	135.70
Tangible Networth	100.92	109.85
<u>Ratios</u>		
EBITDA Margin (%)	7.93	8.65
PAT Margin (%)	1.68	1.88
Overall Gearing Ratio (x)	1.28	1.28

Note: Classification as per Infomerics' standards

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

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	35.00	IVR BBB- / Stable Outlook	--	--	--
2.	Term Loan	Long Term	87.00	IVR BBB- / Stable Outlook	--	--	--
3.	Non Fund Based – Bank Guarantee	Long Term	6.25	IVR BBB- / Stable Outlook			
4..	Non Fund Based Limits - LC	Short Term	3.00	IVR A3	--	--	--

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 Fund Based Limits – Cash Credit	--	--	--	35.00	IVR BBB- / Stable Outlook
Long Term Debt - Term Loan	--	--	--	87.00	IVR BBB- / Stable Outlook
Long Term Facility – Non Fund Based – Bank Guarantee	--	--	--	6.25	IVR BBB- / Stable Outlook
Short Term Non-Fund Based Limits – Letter of Credit	--	--	--	3.00	IVR A3