Vikram Nuvotech India Pvt. Ltd. (VNIPL)

December 13, 2023

Ratings

Facilities	Amount (Rs.crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	75.17 (Reduced from Rs. 91.91 crore)	IVR D	Revised	Simple
Long Term Fund Based Bank Facilities – Cash Credit (CC)	35.00 (Reduced from Rs.39.00 crore)	IVR D	Revised	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee (BG)	11.25 (Reduced from Rs.12.00 crore)	IVR D	Revised	Simple
Short Term Non-Fund Based Bank Facilities – Letter of Credit (LC)	3.00	IVR D	Revised	Simple
Total	**124.42**	**One Hundred Twenty-Four Crore Forty-Two Lakh only**		

Details of facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Vikram Nuvotech India Private Limited (VNIPL) takes into account on-going as well as intermittent delays in the debt servicing due to short term cash flows mismatch. Further, Infomerics also takes a note of the extensive experience of the promoters in textile and hygiene industry, reputed customer base of the company as well as improvement in the scalability and profitability of the company. However, Infomerics also considered vulnerability to raw material price fluctuation and high competition and working capital intensive operations of the company.

Key Rating Sensitivities:

Upward Factors

- Continuous timely servicing of debt obligations for at least 90 days.

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 revenues

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.

Healthy relationships and tie-ups 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 Kimberley-Clark, RSPL limited, RGI Meditech, Sai Pharmaceuticals, Kenya, Santex, Italy, 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).

Key Rating Weaknesses:

Deteriorated financial risk profile

The total income of the company has declined to INR219.71 crore in FY23 from INR233.74 crore in FY22. The revenues from the Hygiene Division have decreased to INR49.48 crore in FY23 from INR75.37 crore in FY22, while the revenues from the textile division have increased to INR170.88 crore in FY23 from INR158.17 crore in FY22, making the Company achieve stable sales Y-o-Y. The decline in revenue from hygiene division was mainly on account of disruption in the segment due to fire incidence occurred at the manufacturing plant of Unicharm India Private Limited which is the major buyer in this segment. The EBITDA margin remained at ~12% during the year ending March 31, 2023. GCA reported by the company stood at INR9.47 crore in FY23 as against debt repayment obligation of INR14.09 crore. Interest coverage remains comfortable but reduced at 1.63x in FY23 (FY22: 2.06x). Long term debt to equity ratio stood at 0.57x as on March 31, 2023 (0.68x as on March 31, 2022). Going forward, the company's financial risk profile is expected to improve on the back of expected improvement in sales, cash accruals and decrease in debt.

In the current FY24, till October 2023 the company has registered sales of INR152.50 crore.

Geographical concentration risk

The operations of the VNIPL's textile division is exposed to the geographical concentration risk as the base of operations are confined to a single state. Moreover, the concentration of sales in the hands of customers within a confined boundary exposes the company to uneven profits and sales as the inflows of the company 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:

Default Recognition Policy

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Poor

The liquidity profile of VNIPL of the company was poor as the company was not able to repay its scheduled debt obligations in timely manner. The company has an above unity current ratio of 1.35x. The working capital limits have also been fully utilized at ~98% for 13 months ended October 31, 2023. However, VNIPL has no major planned capex till 2026.

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 Sweety 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 dying 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 VNIPL). 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	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	233.54	219.33
EBITDA	37.47	26.61
PAT	4.01	-4.52
Total Debt	155.62	163.31
Adjusted Tangible Net Worth	141.66	150.39
Ratios		
EBITDA Margin (%)	16.04	12.13
PAT Margin (%)	1.72	-2.06
Overall Gearing Ratio (x)	2.06	2.25

* *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:

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 (06.10.2022)	Date(s) & Rating(s) assigned in 2021-22 (07.07.2021)	Date(s) & Rating(s) assigned in 2020-21 (14.05.2020)
1.	Fund Based Bank Facilities – Term Loan	Long Term	75.17	IVR D	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB/ Stable
3.	Fund Based Bank Facilities – Cash Credit (CC)	Long Term	35.00	IVR D	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB/ Stable
5.	Non-Fund Based Bank Facilities – Bank Guarantee (BG)	Short Term	11.25	IVR D	IVR A3	IVR A3	IVR A4
6.	Non-Fund Based Bank Facilities – Letter of Credit (LC)	Short Term	3.00	IVR D	IVR A3	IVR A4	IVR D

Press Release

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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.

assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	75.17	IVR D
Cash Credit (CC)	-	-		35.00	IVR D
Bank Guarantee (BG)	-	-		11.25	IVR D
Letter of Credit (LC)	-	-		3.00	IVR D

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

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-VNIPL-dec23.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/.