



## Press Release

Valiant Glass Works Pvt Ltd

February 15, 2021

### Ratings

Facility*	Amount (Rs. Crore)	Rating		Rating Action
		Current	Previous (Dec 13, 2019)	
Long Term Fund based facilities – Term Loans	25.57 (Enhanced from Rs. 4.38 crore)	IVR BBB-/ Credit Watch with Developing Implications (IVR Triple B Minus under Credit Watch with Developing Implications)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed; Outlook Revised to Credit Watch with Developing Implications from Stable
Short Term Fund based facilities - PC/PCFC/FDB/ FBE/BRD	70.00 (Enhanced from Rs. 64.00 crore)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed
Short Term Non Fund based facilities - Letter of Credit	5.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed
<b>Total</b>	<b>100.57</b>			

\*Details of Facilities are in Annexure 1

### Detailed Rationale

The ratings outlook has been revised to Credit Watch with Developing Implications on account of COVID-19 impact on the business and financial performance in 9MFY2021. Infomerics shall closely monitor the quarterly performance to assess the overall impact on the credit matrices going forward



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The aforesaid rating reaffirmation of the bank facilities continue to derive strength from experienced promoters with long track record of operations, improvement in profitability and moderate debt protection metrics. These are partially offset by working capital intensive nature of operation, intense competition in the industry and fragmented players, foreign exchange fluctuation risk & volatility of raw material prices.

### Key Rating Sensitivities

- **Upward Factor**
  - Significant improvement in scale of operation
  - Significant improvement in profitability margins
- **Downward Factor**
  - Sharp deterioration in debt protection metrics

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

**Experienced promoters with long track record of operations** - The Company started its operations in 1971. The promoters of the company Mr. Dilip Kumar Pachariwal (Director) and Mr. Pradeep Kumar Pachariwal (Director) have more than 2 decades of experience into the Textile Industry. Mr. Dilip Kumar Pachariwal is responsible for marketing and production of textile whereas Mr. Pradeep Kumar Pachariwal is responsible for financial planning and execution. There are other members like Mrs. Neha Ganeriwal who is responsible for initiating business into European and US market. Therefore, company has highly qualified & experienced management, adding credence & professionalism in the governance of the company.

**Improvement in profitability** - The scale of operation has declined in FY2020 by 7%. However, margins have improved on a year on year basis. The EBIDTA & PAT Margins was marked at 5.84% & 2.16% in FY2020 as against 5.21% & 2.10% in FY2019 respectively.

**Moderate debt protection metrics** - The overall gearing of the company was comfortable at 0.66x as on 31<sup>st</sup> March 2020. Hence the company has good cushion for future debt



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availability. Other debt coverage indicators were also adequate, with interest coverage at 2.18x and total debt to GCA at 4.06x in 31<sup>st</sup> March 2020.

### **Key Rating Weaknesses**

**Working capital intensive nature of operation** - Operations of the company is working capital intensive in nature. The debtor's days of the company were generally high side over the years and is at 129 days in FY2020. The company has to extend long periods of credit to its clients resulting high debtor's collection period. The company is also stretching its creditor's days to manage its working capital cycle.

**Intense competition in the industry and fragmented players** - The 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.

**Foreign exchange fluctuation risk & volatility of raw material prices** - The Company generates 75% of its revenue from export business. However, the company avails export finance limits in the form of packing credit and post shipment finance and the USD liabilities are knocked off and are not crystallised in the account. The company is also susceptible to volatility in the raw material prices, which could have an adverse impact on its profitability.

**Analytical Approach:** Standalone

### **Applicable Criteria**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The group had generated healthy cash accrual of around Rs. 9.66 Crore in FY2020 (Aud) as against no debt obligation. Further, the company is also expected to generate steady cash accrual over the near medium term against minimal repayment obligation. Moreover, the Company's average utilisation of its bank lines is of 81.18% indicating an adequate liquidity buffer. Furthermore, comfortable gearing position along with moderate cash balances also supports the liquidity to an extent.



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### About the Company

Valiant Glass Works Private Limited (VGWPL) started its operation in 1971 in Mumbai. The company's line of business involved processing (Dyeing and printing) of fabrics and manufacturing of made-ups (including Bed Sheets, Curtains, Pillows, and Decorative Cushion) and linen. The installed capacity of Valiant is about 1.25 lacs meters of fabric in smaller width and 60,000 meters in wider width per day.

The company has various range of cottons, polyester and blended fabrics, it also has various chemicals & processes to give a different feel to the fabric. The company is also engaged in export of its production to markets such as UK, Africa, Germany, USA and Canada. The clients of VGWPL include well-known brands.

### Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	250.27	233.17
EBITDA	13.03	13.61
PAT	5.36	5.15
Tangible Net worth	66.73	71.92
Adjusted Tangible Net worth	77.42	82.42
EBITDA Margin (%)	5.21	5.84
PAT Margin (%)	2.10	2.16
Overall Gearing Ratio (x)	0.82	0.66

\*As per Infomerics Standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil



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Rating History for last three years:

Sr. No.	Facilities	Current Rating (Year 2020-21)			Rating History		
		Type	Amount outstanding (Rs. Crore)	Ratings	Dec 13, 2019	2018-19	2017-18
1.	Term Loan	Long Term	25.57	IVR BBB-/ Credit Watch with Developing Implications (IVR Triple B Minus under Credit Watch with Developing Implications)	IVR BBB-/Stable outlook	NA	NA
2.	PC/PCF C/FDB/F BE/BRD	Long Term	70.00	IVR A3 (IVR A Three)	IVR A3	NA	NA
3.	Letter of Credit	Short Term	5.00	IVR A3 (IVR A Three)	IVR A3		
<b>Total</b>			<b>100.57</b>				

**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](http://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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for



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positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 I

#### Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	30-06-2025	25.57	IVR BBB-/ Credit Watch with Developing Implications (IVR Triple B Minus under Credit Watch with Developing Implications)
Short Term Bank Facilities – PC/PCFC/FDB/FBE/ BRD	-	-	-	70.00	IVR A3 (IVR A Three)
Short Term Bank Facilities – Letter of Credit	-	-	-	5.00	IVR A3 (IVR A Three)
<b>Total</b>				<b>100.57</b>	