

Rating Rationale

Vertex Industries Pvt. Ltd.

12th April 2018

Brickwork Ratings assigns BWR BB-/ A4 for the Bank Loan Facilities of Rs. 10.00 Crs of Vertex Industries Pvt. Ltd.

Particulars

Facility Rated#	Amount (Rs. Crs)	Tenure	Rating^
Fund Based OCC	7.50	Long term	BWR BB- (Pronounced BWR Double B Minus) Outlook : Stable Assigned
Non Fund Based Foreign Letter of Credit (Sub limit : Buyer's Credit)	2.50 (2.50)	Short term	BWR A4 (Pronounced BWR A Four) Assigned
Total	10.00 (INR Ten Crores Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of Vertex Industries Pvt. Ltd. ('VIPL' or the Company) upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the experience of the promoters in the textiles business and established relationships with customers and suppliers. The ratings are constrained by modest scale of operations, thin profitability, low net worth, fragmented and intensely competitive industry and working capital intensive operations.

Going forward, the company's ability to improve its scale of operations, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

12 April 2018

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Rating drivers

- **Experienced promoters**

The promoters have experience of around two decades in the business of manufacturing and distribution of textile based products.

- **Established relationships with customers and suppliers**

The company has established relationships with customers such as Naaptol Online Shopping Pvt. Ltd., Vishal Mega Mart, Award Velvet and Max Hyper Market India Pvt. Ltd. The company also sources from established suppliers.

- **Moderate scale of operations**

Revenue from Operations was Rs. 60.75 Crs in FY16 and improved to Rs. 62.11 Crs in FY17. For the 9MFY18 period, VIPL has achieved Revenue from Operations of around Rs. 63 Crs on a provisional basis.

- **Thin profitability**

The company has low profitability. Net profit margin was 0.86% in FY16 and fell to 0.77% in FY17.

- **High Gearing**

Total Debt : Tangible Net Worth was high at 4.49 times as on 31/3/2016 and improved to 2.70 times as on 31/3/2017. Overall gearing i.e TOL/ Tangible Net Worth was 4.46 times as on 31/3/2016 and 2.67 times as on 31/3/2017.

- **Industry Risks**

The company faces competition from larger and more established players in the market. The textiles industry is highly fragmented with both organized and unorganized players competing for higher market share.

Rating Outlook : Stable

BWR believes that Vertex Industries Pvt. Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Vertex Industries Pvt. Ltd. (VIPL), was established in 2012 at Panipat, Haryana. It is engaged in the manufacturing and distribution of home furnishings, textiles and yarn. The company also exports textile products to South Korea to a small extent. The key products manufactured are fleece blankets, carpets, cushion covers, bath and hand towels, and designer bed sheets. Around 60% of total revenues are derived from sale of home furnishing and textiles.

Mr. Ravinder Lakhina and Ms. Salma Chugh are the promoter directors of the company.

Financial Performance

VIPL reported Revenue from Operations of Rs. 62.11 Crs for FY17 as against Revenue from Operations of Rs. 60.75 Crs in FY16. PAT was Rs. 0.48 Crs for FY17 and Rs. 0.52 Crs for FY16. For 9MFY18, the Company reported Revenue from Operations of Rs. 63.65 Crs on a provisional basis. Tangible Net Worth, PAT margin and gearing as on March 31 2017 stood at Rs. 3.65 Crs, 0.77% and 2.70 times respectively. Unsecured loans of Rs. 2.55 Crs have been brought in by the Directors in FY17.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Instrument/ Facility	Current Rating (April 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based OCC	Long term	7.50	BWR BB- Outlook : Stable Assigned	Not Rated	Not Rated	Not Rated
Non Fund Based Foreign Letter of Credit (Sub limit: Buyer’s Credit)	Short term	2.50 (2.50)	BWR A4 Assigned			
	Total :	10.00	INR Ten Crores Only			

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Manufacturing Entities](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

Analytical Contacts	Media
<p>Rajee R General Manager- Ratings analyst@brickworkratings.com</p>	media@brickworkratings.com
	<p>Relationship Contact</p>
	bd@brickworkratings.com
Phone : 1-860-425-2742	

Vertex Industries Pvt. Ltd.

Annexure I – Details of Rated Facilities

Bank Facilities	Rated Amount (Rs. Crs)
Karur Vysya Bank, Panipat Branch	
<p>Fund based OCC</p>	7.50
<p>Non Fund Based Foreign Letter of Credit (Sub limit: Buyer’s Credit)</p>	2.50 (2.50)
Total	10.00

Annexure II – Key Financial Indicators

Particulars	FY2016 (A)	FY2017 (A)
Revenue from Operations (Rs. Cr)	60.75	62.11
EBITDA (Rs. Cr)	1.78	2.26
PAT (Rs. Cr)	0.52	0.48
Tangible Net Worth (Rs. Cr)	3.17	3.65
Total Debt : Tangible Net Worth (Times)	4.49	2.70
Current Ratio (Times)	3.20	2.40



For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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