

## Rating Rationale

### Brickwork Ratings assigns 'BWR A4' for Bank Loan Facilities aggregating ₹ 11.50 Cr of Vikram Knittex Private Limited.

Brickwork Ratings has assigned the following **Rating<sup>1</sup>** for Bank Loan facilities of – Vikram Knittex Private Limited (*VKPL or The Company*).

Facility	Sanctioned Limits(₹ Cr)	Tenure	Rating
PC / PCFC	5.25	Short Term	BWR A4 (Pronounced as BWR A Four)
FBE / FDB	6.25		
<b>Total</b>	<b>11.50</b>	<b>INR Eleven Crores and Fifty Lakhs only</b>	

BWR has principally relied upon the audited financials for FY12 to FY15, projected financials for the period FY16 to FY17, publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, the strength VKPL derives from promoter's vast experience in textile industry, location advantage in terms of easy access to raw materials and customer base, the company's track record over about 20 years and experienced & qualified management. However, the rating is constrained by relatively small scale of operation, low profit margins, decline in top-line growth and stiff competition from existing players in the industry.

#### Background:

Vikram Knittex Private Limited was incorporated in the year of 1994. The company is involved in export of polyester Fabrics, embroidered fabrics, home furnishing, sarees, scarves, stoles, and dress material for ladies wear. The company procures grey fabrics from open market to dye and print them on job work basis from local companies. The company has in-house designs team. The company is situated in Pandesara, Surat which is a prime location for textile business. Mr. Chaudhary and Mr. Agarwal are the key directors of the company who are responsible for all key decisions of the company. Majority of shares of the company are held by its group concerns, as of 31<sup>st</sup> March 2015. The company exports finished fabrics to Dubai, Indonesia, Japan, Jakarta and France.

#### Financial Performance:

As per audited financials for FY15, the company's revenue has declined from Rs. 58.96 Cro to Rs. 37.15 Cr in FY14 due to sluggish demand of finished fabrics in foreign as well as domestic market.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Majority of sales i.e. 89.58% have come from exports, 4.08% from domestic market and the company has earned 6.33% of revenue from export incentives. Profit After Tax was Rs. 0.39 Cr in FY15 with Net Profit Margin of 0.99%. Tangible Networth of the company stood at Rs. 8.95 Cr in FY15 with the ratio of Total Debt : Tangible Networth at 1.29 : 1. The company is enjoying pre- and post- shipment facilities from Canara Bank. Debt Service Coverage Ratio and Interest Service Coverage Ratio were modest at 1.29 and 1.22 respectively in FY15.

### Rating Outlook:

The outlook of the company for next year is expected to be stable. Going forward, increasing top-line growth, improving overall profit margins, efficient management of working capital requirement, and maintaining moderate capital structure of the company will remain the key rating sensitivities.

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