

Veejay Lakshmi Engineering Works Limited

July 22, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Revised to CARE B; Stable (Single B; Outlook: Stable) from CARE BB-; Stable (Double B Minus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4 (A Four) and Withdrawn
Total Bank Facilities	-		

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers

CARE has reviewed and revised the rating assigned to the bank facilities of Veejay Lakshmi Engineering Works Limited from CARE BB- ; Stable to CARE B; Stable for long term facilities and reaffirmed the rating for short term facilities at CARE A4 and withdrawn the same with immediate effect.

The revision in ratings factors in the continuous decline in scale of operations and operating losses reported during FY20 and 9MFY21. The rating continues to be tempered by modest scale of operations, elongated operating cycle and highly competitive business segment due to presence of numerous organized and unorganized players. However, the ratings derive strength from experienced promoters with four decades long experience in textile industry, comfortable capital structure and availability of captive power generated from wind mills.

The rating withdrawal is at the request of Veejay Lakshmi Engineering Works Limited and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Weaknesses

Degrowth in total operating income and operating losses reported during FY20 and 9MFY21

The company scale of operations declined and continued to be modest marked by total operating income of Rs. 70.10 crore in FY20 as against Rs. 80.93 Crore in FY19. Further the company has reported operating loss to the tune of Rs. 6.00 Crore during FY20. Up to December 2020, the company reported total income of Rs. 28.48 Crore with operating loss of Rs. 1.20 Crore.

Elongated operating cycle

Operating cycle continued to remain high in the last two years at 108 days in FY20, due to high inventory days of 121 days in FY20.

Highly competitive business segment due to presence of numerous organized and unorganized players

The spectrum of the textile industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India. VLEWL faces direct competition from various organized and unorganized players in the market. There are a number of small and regional players who are located in India and catering to the same market.

Key Rating Strengths

Experienced promoters with four decades long experience in textile industry

The company was incorporated in 1974 and the Directors Mr.J. Anand and Mr. D. Ranganathan have over four decades of experience in textile and engineering industry. This enables the company to develop a wide network of customers.

Comfortable capital structure

The capital structure continued to remain comfortable during FY20 owing to comfortable net worth base. The overall gearing stood at 0.57x as on March 31, 2021.

Availability of captive power generated from wind mills

The power scenario relatively improved in Tamil Nadu but there is volatility in the price per unit of electricity. The need to generate and utilize wind-power energy for the textile units, VLEWL has invested in 9 wind-mills in Tamil Nadu which helps reduce its power costs to the extent of 10-20% each year since the inception of operating the windmill in 2005.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)
[CARE's Methodology for Short Term Instruments](#)
[Rating Methodology - Manufacturing Companies](#)

About the firm

Coimbatore (Tamilnadu) based, Veejay Lakshmi Engineering Works Limited was incorporated as a public limited company in 1984 by Mr. V. J. Jayaraman, the chairman, Mr. J. Anand, the managing director and Mr. D. Ranganathan, the whole time director. The company is engaged in the business of manufacturing of two for one twisters used in spinning mills. The company also has a textile unit in which it manufactures cotton yarn and knitted fabrics. The company purchases the raw materials locally and exports the products to Bangladesh, Nepal, China, Korea. It has an installed capacity of 150 units per annum to produce the two for one twisters and 18,000 units to produce cotton yarn and knitted fabrics.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	80.93	70.10
PBILDT	4.30	(5.99)
PAT	(0.20)	(13.40)
Overall gearing (times)	0.45	0.57
Interest coverage (times)	3.36	NM

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Proposed fund based limits	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Forward Contract	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Proposed fund based limits	LT	-	-	-	1)CARE BB-; Stable (08-May-20)	-	-
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB-; Stable (08-May-20)	-	-
3.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A4 (08-May-20)	-	-
4.	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)CARE A4 (08-May-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Proposed fund based limits	Simple
3.	Non-fund-based - ST-BG/LC	Simple
4.	Non-fund-based - ST-Forward Contract	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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