

Oriilon India Private Limited

November 25, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	46.67	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Long Term / Short Term Bank Facilities	35.18	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Assigned
Short Term Bank Facilities	9.00	CARE A3 (A Three)	Assigned
Total Bank Facilities	90.85 (₹ Ninety Crore and Eighty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to bank facilities of Oriilon India Private Limited (OIPL) derive strength from its experienced promoters with established track record of operations, locational advantage with presence in textile hub of Surat (Gujarat), growing albeit moderate scale of operations with diversified customer base, moderately leveraged capital structure, comfortable debt coverage indicators and its adequate liquidity.

The ratings, however, are constrained by OIPL's moderate profitability which is susceptible to raw material price volatility as well as forex fluctuation risk and its presence in a fragmented and competitive Man-made Fibre (MMF) yarn industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Volume driven growth in the scale of operations with total operating income (TOI) of more than Rs.600.00 crore along with PBILDT margin of more than 8% on sustained basis.
- Improvement in capital structure with overall gearing below 0.75x on sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in scale of operations with TOI below Rs.250 crore and PBILDT margin below 5.50% on sustained basis.
- Deterioration in capital structure with overall gearing above 1.50x on sustained basis.
- Increase in operating cycle to more than 45 days.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with established track record of operations

The promoters of OIPL, Mr. Vishal Kejriwal and Mr. Vikash Jhunjhunwala have been associated with textile yarn trading and manufacturing industry for more than three decades. Furthermore, OIPL has an established track record of operations of around a decade. It commenced operations in August 2013 with capacity of 3,495 (metric tonne per annum) MTPA and gradually scaled up to 21,600 MTPA as of March 31, 2022.

Growing albeit moderate scale of operations with diversified customer base and benefit derived from presence in a textile hub

Total operating income (TOI) of OIPL increased from Rs.213.15 crore in FY20 to Rs.396.75 crores in FY22 (refers to period April 1 to March 31) registering growth in both, sales volume as well as realization of its product. OIPL has a diverse customer base with sales to top 10 customers forming ~44% of its total sales in FY22 (P.Y.: 38%). OIPL supplies to varied segment of textile value chain and has presence in the major MMF textile hub of Surat providing easy access to both, customers and suppliers.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderately leveraged capital structure with comfortable debt coverage indicators

OIPL had a moderately leveraged capital structure with overall gearing of unity as on March 31, 2022 on a moderate net worth base of ~Rs.60 crore as on FY22 end. Promoters supported operations by way of equity infusion of Rs.2.85 crore and unsecured loans from related parties of Rs.5.27 crore to support operations in FY22. Furthermore, OIPL had comfortable debt coverage indicators with PBILDT interest coverage of 4.37 times and total debt/ GCA of 4.37 times for FY22.

OIPL is also undertaking a capex for setting up a windmill at the cost of ~Rs.21 crore, funded through a mix of term loan and internal accruals. Timely implementation of this capex shall be a key consideration for OIPL's credit risk profile.

Key Rating Weaknesses

Moderate profitability which is susceptibility to raw material price volatility and forex fluctuation risk

OIPL's PBILDT margin moderated to 5.55% in FY22 from 8.50% in FY20 mainly on account of inability to fully pass on the surge in input cost and higher overheads due to capacity expansion in FY22. However, PAT margin remained largely stable at 1.18% in FY22 (1.50% in FY20) being supported by non-operating income. OIPL procures nylon chips as its raw material, price of which is directly linked with crude oil prices which exhibit inherently volatility. Resultantly, profitability of OIPL is susceptible to fluctuation in raw material prices and its ability to pass on the same to its customers. Imports of nylon chips formed ~50% of total raw material requirement over the past 3 years. In absence of any natural hedge or fixed hedging policy followed by the management, OIPL's profitability is also susceptible to forex fluctuation.

Presence in a fragmented and competitive MMF yarn industry:

MMF yarn industry is characterised by presence of a large number of organized as well as unorganized players operating in the various segments of textile value chain. This results in stiff competition and restricts the pricing power of players operating in this industry.

Liquidity: Adequate

OIPL had adequate liquidity marked by moderate operating cycle, moderate utilization of working capital limits and healthy cash accrual generation envisaged against its debt repayment obligation. OIPL had moderate operating cycle of 20-35 days over the past 3 years. The company generally provides credit period of ~30 to 45 days to its customers while it receives similar credit period from its suppliers and maintains inventory of ~30 days. The average utilisation of working capital limits was moderate at 45%-55% for past 12 months ended October'22. Also, OIPL had liquid investments to the tune of ~Rs.5.00 crore as on March 31, 2022. Furthermore, OIPL is expected to generate cash accruals in excess of Rs.20 crores in FY23 against repayment obligations of ~Rs.10 crores in FY23.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manmade Yarn Manufacturing](#)

[Manufacturing Companies](#)

About the company

Incorporated in 2008, Surat (Gujarat) based OIPL (erstwhile Vandana Suppliers Pvt. Ltd.) is engaged in manufacturing of nylon filament yarn which mainly finds its usage in manufacturing of readymade garments, home textiles and other industrial textiles. The company had installed capacity of 21,600 MTPA as on March 31, 2022.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (P)
Total operating income	174.36	398.42	240.44
PBILDT	16.68	19.32	NA
PAT	3.98	5.45	NA
Overall gearing (times)	0.99	1.00	NA
Interest coverage (times)	4.42	4.37	NA

A: Audited; P: Provisionals; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2030	46.67	CARE BBB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	35.18	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	9.00	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	46.67	CARE BBB-; Stable				
2	Fund-based/Non-fund-based-LT/ST	LT/ST*	35.18	CARE BBB-; Stable / CARE A3				
3	Non-fund-based - ST-Letter of credit	ST	9.00	CARE A3				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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