

March 11, 2025

Vinit Gloves Manufacturing Pvt Ltd: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|--------------------------------------|-------------------------------------|--------------------------------|
| Fund-based – overdraft | (3.00) | (3.00) | [ICRA]BBB (Stable); reaffirmed |
| Non-fund based – bank guarantee | (0.50) | (0.50) | [ICRA]BBB (Stable); reaffirmed |
| Fund-based – working capital facilities | 18.00 | 18.00 | [ICRA]A3+; reaffirmed |
| Non-fund based – letter of credit | 0.75 | 0.75 | [ICRA]A3+; reaffirmed |
| Non-fund based – forward contract limit | 3.50 | 3.50 | [ICRA]A3+; reaffirmed |
| Total | 22.25 | 22.25 | |

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation on the bank lines of Vinit Gloves Manufacturing Pvt Ltd (VGMPL) considers an expected improvement in operational and financial performance over the medium term, supported by the established track record and the extensive experience of the promoters in the safety wear industry. The ratings continue to favourably factor in the company's enduring relationships with its customers, generating repeat orders and reflecting its product acceptability. VGMPL's scale of operations has witnessed steady growth over the years. However, in FY2024, its revenues declined by 5.5% on a YoY basis to Rs. 100.8 crore, due to a modest decline in orders from the key export markets. Nevertheless, in 9M FY2025, revenues grew by ~23% (annualised) over FY2024 and are likely to remain healthy over the medium term. The ratings also factor in VGMPL's conservative capital structure and strong debt coverage indicators. The ratings further consider the company's backward integration resulting from its tannery units, which contribute ~60% to the finished leather requirements, enhancing its cost competitiveness and operational efficiency.

The ratings, however, are constrained by the intense competition in the industry, the scale of operations and VGMPL's low bargaining power due to client concentration, which limits margin expansion. In FY2024, VGMPL derived ~52% of its operating income from its top five customers, and ~75% of its operating income from the top five countries, indicating moderate geographical concentration risk. ICRA notes that the company is vulnerable to foreign exchange (forex) fluctuation risk as its entire sales come from the export markets, although the same is mitigated to an extent with the company hedging 60-70% of its forex exposure through forward covers. VGMPL also remains susceptible to adverse changes in export incentives in India and foreign trade policies of importing countries.

The Stable outlook on the long-term rating reflects ICRA's expectation that the revenues and earnings of VGMPL are likely to improve over the medium term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established presence and healthy relationship with clientele in industrial safety products industry – VGMPL has been involved in the manufacturing and export of industrial gloves for around two decades. The company derives ~98% of its operating income from industrial leather gloves, exposing it to significantly high product concentration risk. However, VGMPL's established track record of operations, along with the extensive experience of its promoters and established relationships with its clientele across multiple countries, mitigate the operational risks to an extent. It is recognised as a Star Export House by the Ministry of Commerce and Industry, Government of India.

Conservative capital structure and strong debt coverage indicators – VGMPL's capital structure has remained conservative over the years, aided by its low reliance on external borrowings and consistent accretion to reserves. The Total Debt/ Tangible Net Worth and Total Outside Liability/ Tangible Net Worth stood at 0.2 times and 0.4 times, respectively, as on March 31, 2024. The coverage indicators also remain strong, as reflected by interest coverage and Total Debt/OPBDITA of 15.6 times and 0.9 times, respectively in FY2024. The RoCE also stood at a comfortable level of 21.7% in FY2024. VGMPL's capital structure and coverage indicators are expected to improve in the current fiscal with expected improvement in profitability.

Backward integration of facilities – Backward integration facilitates seamless operations for VGMPL, leading to reduced production costs. The finished leather manufactured in the tannery is fully utilised in the gloves manufacturing facility, fulfilling approximately 60% of the total finished leather requirement. The remaining requirement for finished leather is sourced locally from West Bengal. However, with the commencement of operations of the new tanning unit in October 2024 the dependency on external sources for finished leather requirements is expected to further reduce.

Credit challenges

Stiff competition in the safety wear industry coupled with customer concentration risk exerts pressure on margins – VGMPL faces intense competition from many organised and unorganised players in the safety wear manufacturing business. Given the low value-added nature of the products and limited bargaining power against large overseas clientele, VGMPL's pricing power is limited. While the entity has a wide geographical presence with its products shipped to over 23 countries in FY2024, it remains exposed to customer concentration risk with the top five customers generating ~52% of its revenues in FY2024.

Vulnerability to adverse changes in export incentives and international trade policies – Being a 100% export-oriented entity, VGMPL's profitability is supported by the export incentives from the Government of India (GoI). Any adverse change in the rate of export incentives or the trade policies of importing nations may hamper the cost competitiveness of the company's products.

Exposed to foreign exchange rate fluctuation risk – VGMPL derives 100% of its operating income from export markets, which exposes the entity to forex fluctuation risk. However, VGMPL normally hedges 60-70% of its forex exposure through forward cover. In addition, the import of some raw materials provides a partial natural hedge. These factors mitigate the foreign exchange rate fluctuation risk to a large extent.

Liquidity position: Adequate

The liquidity profile of VGMPL is expected to remain adequate, supported by improvement in its operating performance and undrawn working capital of Rs. 18.0 crore as on December 31, 2024. The average utilisation of the sanctioned working capital limit stood at ~23% of its sanctioned limit of Rs. 18.0 crore during the last 12 months ending in December 2024. The company is likely to incur a capex of Rs. 9-10 crore in FY2025, funded through internal accruals. ICRA notes that the company does not have any major debt-funded capex plan and minimal repayment obligation, which is expected to keep VGMPL's liquidity adequate over the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade VGMPL’s ratings if it is able to significantly scale up its operations while maintaining profitability on a sustained basis and strengthening its net worth.

Negative factors – Pressure on VGMPL’s ratings could arise if there is a decline in earnings, adversely impacting its liquidity or debt protection metrics.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | The ratings are based on the standalone financials of VGMPL. |

About the company

Incorporated in 2001, VGMPL manufactures leather gloves for industrial usage and has a tannery unit with almost its entire leather production being consumed captively. The glove manufacturing unit is located at Udayan Industrial Estate, West Bengal, while the tannery unit is at the Kolkata Leather Complex. VGMPL is a 100% export-oriented unit. The company’s major export destinations in FY2024 were France, Germany, USA, Japan and Switzerland.

Key financial indicators (audited)

| | FY2023 | FY2024 | 9MFY2025* |
|--|--------|--------|-----------|
| Operating income | 106.6 | 100.8 | 93.3 |
| PAT | 7.8 | 7.2 | - |
| OPBDIT/OI | 11.4% | 10.3% | 12.0% |
| PAT/OI | 7.3% | 7.1% | - |
| Total outside liabilities/Tangible net worth (times) | 0.4 | 0.4 | - |
| Total debt/OPBDIT (times) | 0.1 | 0.9 | - |
| Interest coverage (times) | 23.6 | 15.6 | 49.9 |

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amounts in Rs. crore; *provisional number
 PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| | | Current (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|-----------------------------------|------------|--------------------------|--------------|--------------------|---|--------------------|--------------|--------------------|--------------|--------------------|
| | | FY2025 | | | FY2024 | | FY2023 | | FY2022 | |
| Instrument | Type | Amount rated (Rs. crore) | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Overdraft | Long term | (3.00) | Mar 11, 2025 | [ICRA]BBB (Stable) | Feb 29, 2024 | [ICRA]BBB (Stable) | Dec 15, 2022 | [ICRA]BBB (Stable) | Nov 09, 2021 | - |
| Bank guarantee | Long term | (0.50) | Mar 11, 2025 | [ICRA]BBB (Stable) | Feb 29, 2024 | [ICRA]BBB (Stable) | Dec 15, 2022 | [ICRA]BBB (Stable) | Nov 09, 2021 | [ICRA]BBB-(Stable) |
| Working capital facilities | Short term | 18.00 | Mar 11, 2025 | [ICRA]A3+ | Feb 29, 2024 | [ICRA]A3+ | Dec 15, 2022 | [ICRA]A3+ | Nov 09, 2021 | [ICRA]A3 |
| letter of credit | Short term | 0.75 | Mar 11, 2025 | [ICRA]A3+ | Feb 29, 2024 | [ICRA]A3+ | Dec 15, 2022 | [ICRA]A3+ | Nov 09, 2021 | [ICRA]A3 |
| Forward contract limit | Short term | 3.50 | Mar 11, 2025 | [ICRA]A3+ | Feb 29, 2024 | [ICRA]A3+ | Dec 15, 2022 | [ICRA]A3+ | Nov 09, 2021 | [ICRA]A3 |
| Cash credit | Long term | - | Mar 11, 2025 | - | Feb 29, 2024 | - | Dec 15, 2022 | - | Nov 09, 2021 | [ICRA]BBB-(Stable) |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|-----------------------------------|----------------------|
| Overdraft | Simple |
| Bank guarantee | Very Simple |
| Working capital facilities | Simple |
| Letter of credit | Very Simple |
| Forward contract limit | Very Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|------|----------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA | Overdraft | NA | NA | NA | (3.00) | [ICRA]BBB (Stable) |
| NA | Bank guarantee | NA | NA | NA | (0.50) | [ICRA]BBB (Stable) |
| NA | Working capital facilities | NA | NA | NA | 18.00 | [ICRA]A3+ |
| NA | Letter of credit | NA | NA | NA | 0.75 | [ICRA]A3+ |
| NA | Forward contract limit | NA | NA | NA | 3.50 | [ICRA]A3+ |

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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