August 10, 2020

Vardhman Polytex Limited: Continues to remain under issuer Non-Cooperating category

Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based Facilities - Cash Credit	159.31	159.31	[ICRA]D ISSUER NOT COOPERATING*; Rating continues to remain under 'Issuer Not Cooperating' category
Long-term Fund-based Facilities - Term Loan	232.31	232.31	[ICRA]D ISSUER NOT COOPERATING*; Rating continues to remain under 'Issuer Not Cooperating' category
Short-term Non-fund Based Facilities	50.00	50.00	[ICRA]D ISSUER NOT COOPERATING*; Rating continues to remain under 'Issuer Not Cooperating' category
Long-term Fund-based Facilities – Unallocated	72.38	72.38	[ICRA]D ISSUER NOT COOPERATING*; Rating continues to remain under 'Issuer Not Cooperating' category
Total	**514.00**	**514.00**	

*Issuer did not co-operate; based on best available information.

Rationale

The rating for the Rs. 514.00 crore bank facilities of Vardhman Polytex Limited continues to remain under 'Issuer Not Cooperating' category. The rating is denoted as "[ICRA]D/[ICRA]D ISSUER NOT COOPERATING"

The company had defaulted on payment of its debt obligations to various lenders, leading to its borrowings being classified as NPA by the Banks, and account status remains the same. ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. The current rating action has been taken by ICRA basis best available/dated/ limited information on the issuers' performance. Accordingly, the lenders, investors and other market participants are advised to exercise appropriate caution while using this rating as the rating may not adequately reflect the credit risk profile of the entity.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Policy in respect of non-cooperation by the rated entity Corporate Credit Rating Methodology Policy on Default Recognition
Parent/Group Support	Not Applicable
Consolidation / Standalone	The rating is based on standalone financial statements of the issuer.

About the company:

Incorporated in 1981, Vardhman Polytex Limited (VPL) primarily manufactures cotton and cotton-polyester blended spun yarn with an installed capacity of 1.95 lakh spindles across its manufacturing facilities in Ludhiana, Bathinda (both in Punjab) and Nalagarh (Himachal Pradesh). VPL also has a yarn dyeing unit in Ludhiana with an installed capacity of 15.0 tonne per day (tpd), and has a limited presence in garmenting with an installed capacity of manufacturing 7 lakh pieces per annum.

As per the company's Limited Audit Report for FY2020, the company had requested its bankers for resolution of its accounts by way of One-time settlement (OTS). OTS proposal has been approved by ~72.24% of the lenders. Further, two of the lenders have filed an application under Section 7 of IBC with NCLT, for initiating CIRP. The petitions have not been admitted so far.

The previous detailed rating rationale is available on the following link: Click here

Key financial indicators:

	FY2019	FY2020*
Operating Income (Rs. crore)	813.6	564.0
PAT (Rs. crore)	(74.7)	101.8 ^
OPBDIT/OI (%)	0.5%	0.5%
RoCE (%)	-9%	128%
Total Debt/ TNW (times)	-1.1	-1.7
NWC/ OI (%)	-26%	-10%
Total Debt/OPBDIT (times)	110.16	168.85
Interest Coverage (times)	0.07	0.05

* Based on abridged financials

^ On account of invocation of corporate guarantee, the company had earlier made a provision of ~Rs 176.85 crore in Q4 FY2018, which has been reversed in Q4 FY2020

Status of non-cooperation with previous CRA

Not applicable

Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018
					10-Aug-2020	31-July- 2019	27-Apr -2018	No rating action
1	Cash Credit	Long Term	159.31	-	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D
2	Term Loan	Long term	232.31	-	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D
3	Short term Non fund Based	Short term	50.00		[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D
4	Unallocated	Long Term	72.38		[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D

All figures in Rs. Crore

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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