Rating Rationale

Vivekanand Cotspin LLP

7 July 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 67.89 Crs of Vivekanand Cotspin LLP

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
Fund Based	**66.00**	**Long Term**	**BWR B+ (Pronounced BWR B Plus) Outlook: Stable**
Cash Credit	6.00		
Term Loan	60.00		
Non-Fund Based	**1.89**	**Short Term**	**BWR A4 (Pronounced BWR A Four)**
Bank Guarantee	1.50		
CEL	0.39		
Total	**₹ 67.89 Crores (INR Sixty Seven Crores and Eighty Nine Lakhs only)**		

***** Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of FY16, provisional financials of FY17, projected financial statements up to FY21, publicly available information and information provided by the management/Bank.

The rating, inter alia, factors the industry experience of the promoters, locational advantage, operational support from group companies with presence across the textile value chain and support from Government sponsored schemes and price support measures like TUFS, SITP which has helped the growth of textile industry. The rating is, however, constrained by low profit margins and inventory price risk led by seasonality and volatility in raw material prices. The ratings also note that the operations are yet to fully stabilize; commercial operations having commenced only from November 2016. The Company faces intense competition from numerous spinning units set up in the recent past and those coming up in the unorganized sector as well as established large players in the spinning sector.

Rating Outlook: Stable

BWR believes the **Vivekanand Cotspin LLP**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Vivekanand Cotspin LLP was established in July 2015. It is located in Kadi, Gujarat. The firm is mainly into ginning and spinning of cotton yarn. The firm has two associates Vivekanand Industries and Ambica Cotseeds Ltd. The firm is part of Vivekanand Group and is promoted by Mr. Bharat Patel, Mr. Vishnu Patel and other relatives. The promoters of the company have a vast experience in cotton industry and they are also assisted by professionals who have good experience in their respective domains. The firm has an installed spinning capacity of 25536 spindles and 36 ginning machines with an installed capacity of 23716 MTPA. The total project cost is Rs.99.57 Crs funded by a term loan of Rs.60 Crs, equity of Rs.32.07 Crs and the balance by way of unsecured loans. The company commenced commercial production in November 2016.

Company Financial Performance

The firm has started its commercial operations from Nov 2016. For FY17, the firm reported a total operating income of Rs 61.44 Crs and net loss of Rs. 0.32 Crs. However, the cash profit for FY17 is Rs. 5.75 Crs.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
	Fund Based	**Long Term**	**66.00**	**BWR B+ Stable**	NA	NA	NA
	Non-Fund Based	**Short Term**	**1.89**	**BWR A4**			

Hyperlink/Reference to Applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER
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