

Rating Rationale

Brickwork Ratings assigns 'BWR B' & 'BWR A4' rating for the Bank Loan Facilities of ₹ 10.00 Cr of Vraj Cotspin Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan facilities of ₹ 10.00 Cr of Vraj Cotspin Pvt. Ltd. ('VCPL or the company') availed from State Bank of India.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit Fund Based	7.00	Long Term	BWR B (Pronounced BWR B) Outlook: Stable
Term Loan Fund Based	2.85		
Bank Guarantee Non-Fund Based	0.15	Short Term	BWR A4 (Pronounced BWR A Four)
Total	10.00	(INR Ten Crores only)	

BWR has principally relied upon the audited financial results of FY14, Provisional financials of FY15 and projections for FY15, FY16 & FY17, publicly available information and information/clarifications provided by the firm's management.

The rating inter alia factors the experience of the promoters in the cotton commission business over three decades, close proximity to the cotton growing villages and derived benefits from electricity duty exemption and interest subsidy incentives from the state government. However, the rating is constrained by limited track record of operations, project execution risk due to delay in implementation, intense competition and susceptibility to changes in government policy.

Project Details

Vraj Cotspin Pvt. Ltd. ("VCPL" or "The Company") was incorporated as a private limited company on September 16, 2013 promoted by Mr. Bhavdipbhai K Aghera, Mr. Ankit A Bhalodiya and their family members. The promoters of the Company have more than three decades of experience in the cotton commission business at Rajkot. In order to utilise their expertise in this field, they envisaged a project of setting up a new cotton ginning and pressing unit at Gondal, Rajkot.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The project is coming up in a land area of 1-39-62 hectares in Umvada, Rajkot. They have set up manufacturing unit for cotton bales and cotton seeds. The Company has installed 36 ginning machines with production capacity of 25,344 metric tonnes per annum of cotton bales and cotton seed. The unit has completed its test run and expected to start commercial operations from April 2015 although with a delay of three months. The delay was due to non-receipt of the machinery on time. VCPL will have cotton bales and cotton seed as its finished products. The contribution of revenues from cotton bales will constitute 75% of the total revenues and 25% from sales of cotton seeds.

The total project cost of Rs.10.21 Cr is funded by promoters' contribution of Rs.4.35 Cr and Term Loan of Rs.2.85 Cr. from State Bank of India. Of the balance Rs.3.01 Cr, the directors and other family members have brought in funds in the form of Unsecured loans to the tune of Rs.1.26 Cr. The Company has also been sanctioned Rs.7.15 Cr towards working capital facilities which shall be availed as per the requirement of the company.

Management Profile

The Company is managed by Mr. Bhimjibhai K Aghera, Mr. Bhavdipbhai K Aghera, Mr, Ankit A Bhalodiya, Mr. Mandeep Aghera and Mr. Nishant Aghera. The first three directors share the profile of procurement, sales and administrative activities of the Company while the remaining two Directors manage the finance activities. At present, the Company has employed 16 labours, 3 supervisors and 6 staff.

Financial Projections

As per the project report, the company is expected to generate revenues of Rs.61.62 Cr in its first year of commercial operations at 55% capacity utilization.

Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the company's ability to execute the project as per the plan and achieve the project revenues, alongwith operational efficiency will be the key rating sensitivities.

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