

Press Release

Vallabh Textiles Company Limited

19 April, 2018



Rating Update

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|--|--|
| Total Bank Facilities Rated* | Rs.200.00 Cr |
| Long Term Rating (Downgraded and Indicative) | SMERA BB- (Downgraded from SMERA BBB-/Stable) Issuer not co-operating* |
| Short Term Rating (Downgraded and Indicative) | SMERA A4 (Downgraded from SMERA A3) Issuer not co-operating* |

#Refer Annexure for details

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

SMERA has downgraded the long term rating to '**SMERA BB-**' (read as SMERA double B minus) from '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating to '**SMERA A4**' (read as SMERA A four) from '**SMERA A3**' (read as SMERA A three) on the Rs. 200.00 crore bank facilities of Vallabh Textile Company Limited (VTCL). The rating is downgraded due to ongoing liquidity pressures in the company which has impacted its banking conduct. This rating is now an indicative rating and is based on best available information.

Non-cooperation by the issuer/borrower: SMERA has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer/borrower failed to submit such information before due date.

This rating is therefore being flagged as "Issuer not-cooperating", in line with prevailing SEBI regulations and SMERA's policies.

Applicable Criteria

- Manufacturing Entities: <https://www.smerra.in/criteria-manufacturing.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Limitation regarding information availability: The rating is based on information available from sources other than the issuer/borrower (in the absence of information provided by the issuer/borrower). SMERA endeavored to gather information about the entity / industry from the public domain. Therefore, SMERA cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

About the Rated Entity:

The Punjab-based VTCL, incorporated in June 2002, is part of the Vallabh group. Founded by Mr. Kapil Jain in 1981, the company is engaged in the manufacture of terry towels and bath robes. About 100% of the production of terry towel is exported to Australia, USA, Europe, Japan and others while yarn is sold in India through wholesalers. The raw material is purchased from suppliers in Punjab, Haryana and Rajasthan. For

FY2015-16, the company reported profit after tax (PAT) of Rs.3.16 crore on operating income of Rs.249.73 crore, as compared to PAT of Rs.2.79 crore on operating income of Rs.240.13 crore in FY2014-15. The net worth stood at Rs.63.58 crore (included quasi equity of Rs.32.47 crore) as on 31 March, 2016 against Rs.58.81 crore (included quasi equity of Rs.33.57 crore) a year earlier.

Rating History for the last three years:

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|--------------------------------|---------------------------------|-----------|--|---|
| 19 th October, 2015 | Cash Credit | Long term | 90.00# | SMERA BBB-/Stable (Assigned) |
| | Term Loans | Long term | 104.56 | SMERA BBB-/Stable (Assigned) |
| | Letter of Credit | Long term | 5.00 | SMERA A3 (Assigned) |
| | Letter of Guarantee | Long term | 0.25 | SMERA A3 (Assigned) |
| | Proposed Facilities | Long term | 0.19 | SMERA BBB-/Stable/ SMERA A3 (Assigned) |
| 30 th January, 2017 | Cash Credit | Long term | 93.00# | SMERA BBB-/Stable (Reaffirmed) |
| | Term Loans | Long term | 100.34 (reduced from Rs. 104.56 crore) | SMERA BBB-/Stable (Reaffirmed) |
| | Letter of Credit | Long term | 6.00^ (enhanced from Rs. 5.00 crore) | SMERA A3 (Reaffirmed) |
| | Proposed Facilities | Long term | 0.66 | SMERA BBB-/Stable (Reaffirmed) |

#Includes sublimit of packing credit and FOBP/FOUBP to the extent of Rs. 20.00 crore.

^Includes sublimit of bank guarantee of Rs. 0.25 crore

Annexure - Details of instruments rated:

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings |
|------------------------|------------------|-------------|---------------|-------------------------------|---|
| Cash Credit | NA | NA | NA | 93.00# | SMERA BB- (Downgraded from SMERA BBB-/Stable) Issuer not co-operating* |
| Term Loans | NA | NA | NA | 100.34 | SMERA BB- (Downgraded from SMERA BBB-/Stable) Issuer not co-operating* |
| Letter of Credit | NA | NA | NA | 6.00^ | SMERA A4 (Downgraded from SMERA A3) Issuer not co-operating* |
| Proposed Facilities | NA | NA | NA | 0.66 | SMERA BB- (Downgraded from SMERA BBB-) Issuer not co-operating* |

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

#Includes sublimit of packing credit and FOBP/FOUBP to the extent of Rs. 20.00 crore.

[^]Includes sublimit of bank guarantee of Rs. 0.25 crore

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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