

Press Release

Vicky Spinning Mills

February 25, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 6.00 crore bank facilities of Vicky Spinning Mills. The outlook is '**Stable**'.

Vicky Spinning Mills (VSM) was established as a proprietorship concern. However, on 1st April 2014, the constitution was changed to a partnership concern. The firm, promoted by Mr. Rajiv Garg and Mrs. Reena Garg is engaged in the manufacturing of cotton yarn.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

VSM was established in 1995. Mr. Rajiv Garg and Mr. Reena Garg possess extensive experience in the cotton industry. Mr. Garg is also associated with eight sister concerns.

- **Moderate financial risk profile**

The moderate financial risk profile of the group is marked by moderate gearing ratio of 1.22 times in FY2016 as compared to 0.95 times in FY2015. The interest coverage of the group stands at 2.34 times in FY2016 as against 2.18 times in the previous year. The operating margins stand moderate at 7.89 per cent in FY2016 as compared to 5.65 per cent in FY2015. The profitability margin stands low at 0.70 percent in FY2016 as compared to 0.84 percent in FY2015. SMERA also notes that the revenue of the group declined to Rs.133.09 in FY2016 from Rs.184.20 in FY2015.

Weaknesses

- **Volatility in cotton prices**

Cotton is the key raw material which is exposed to price volatility.

- **Intense competition**

Textile is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players.

Analytical Approach

While assigning the rating, SMERA has taken into account the consolidated operational and financial performance of eight entities namely, Garg Spinning Mills, Shiv Cotex India Private Limited (SCIPL), Gupta Spinning Mills, Gupta Spinning and Weaving Mills (GSWM), Gupta Spuntext (GS), Vicky Spinning Mills (VSM), RD Spinning Mills (RDSM), and Shiv Trading Co (STC). The consolidation is in view of the common management, common manufacturing facilities as well as significant operational and financial linkages. Together the group is referred as the GSM Group.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to the

experience of its promoters in the business. The outlook may be revised to Positive in case of improvement in revenue, capital structure and profitability. Conversely, the outlook may be revised to Negative in case of significant deterioration in revenue and or large debt capex undertaken by the firm.

About the Rated Entity - Key Financials

For FY2016, the firm reported profit after tax (PAT) of Rs.0.93 cr on operating income of Rs.133.09 cr, as compared with PAT of Rs.1.56 cr on operating income of Rs.184.20 cr in FY2015. The net worth stood at Rs.42.41 cr as on March 31, 2016 against Rs.39.60 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.76	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.24	SMERA BBB- / Stable

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