

Press Release

Vardhman Spinners

April 08, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.76 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 10.76 crore bank facilities of Vardhman Spinners. The outlook is '**Stable**'.

Vardhman Spinners (VS), established in 2008 is a Panipat-based partnership firm promoted by Partners, Mr. Ajay Kumar Jain, Mr. Hemant Jain, Ms. Dipti Jain, and Ms. Shashi Jain. The firm is engaged in the manufacturing of blankets and has an installed capacity of 1.10 lakh blankets per month. The firm procures raw material i.e. cotton yarn from Haryana, Punjab, Uttar Pradesh and Delhi and sells blankets across India under the 'Vardhman' name.

Key Rating Drivers

Strengths

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

VS, established in 2008, has a long track record of nine years in the textile industry. The partners have around two decades of experience in the industry.

- **Established brand name**

The firm sells blankets under the 'Vardhman' name, an established name in the market.

Weaknesses

- **Moderate financial risk profile**

The moderate financial profile is marked by moderate gearing of 1.43 times in FY2016 as compared to 1.14 times in FY2015. The interest coverage ratio stands moderate at 1.88 times in FY2016 as compared to 1.24 times in FY2015. The operating margin of the firm stands moderate at 7.91 percent in FY2016 as compared to 9.29 percent in FY2015. The RoCE of the firm stands healthy at 15.88 percent in FY2016 as compared to 7.76 percent in FY2015. SMERA also notes that the firm has low net profitability at 0.25 percent in FY2016 as compared to 0.55 percent in FY2015.

- **Intense competition**

The firm is exposed to intense competition from various players which is likely to impact its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the firm's outlook will remain stable owing to its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenue and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016, VS reported PAT of Rs.0.10 cr on operating income of Rs.39.74 cr as compared to Rs.0.03 cr on operating income of Rs.4.57 cr in FY2015. The net worth stood at Rs.6.63 cr in FY2016 as against Rs.3.32 cr last year. The net worth of Rs.6.63 cr in FY2016 includes quasi equity of Rs.4.39 cr.

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>

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.76	SMERA BB- / Stable

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ABOUT SMERA

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