



Press Release

Vivekanand Cotspin LLP

October 25, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs. 60.00 crore bank facilities of VIVEKANAND COTSPIN LLP (VCLLP). The outlook is '**Stable**'.

VCLLP established in 2015 by Patel family is engaged in the business of cotton ginning and spinning. VCLLP has an installed capacity of 57 tons per month of cotton bales and 16 tons per month of cotton yarn.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Vivekanand Industries (VI), Ambica Cotseeds Limited (ACL) and Vivekanand Cotspin Limited (VCL) together referred to as 'Vivekanand Group'. The consolidation is in the view of the operational and financial synergies among the three concerns.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Vivekanand Group came into existence with the establishment of Vivekanand Industries in 1983. The Group started its operations with cotton ginning and pressing. In 2010, Ambica Cotseeds Limited was incorporated with the prime purpose to export cotton yarn and bales. Having established themselves in the market, the promoters started their own spinning unit by the establishment of Vivekanand Cotspin LLP in 2015. The promoters of Vivekanand Group have over three decades of experience in the aforementioned line of business. Acuité believes that the group's long track record of operations and promoters' extensive experience in the textile industry will help the group to maintain stable and healthy relations with its customers and suppliers.

- **Comfortable working capital cycle**

Vivekanand Group has comfortable working capital cycle reflected by comfortable Gross Current Assets (GCA) of 91 days in FY2018 (Provisional) against 64 days in the previous year. The GCA days are mainly dominated by inventory of 39 days in FY2018 (Provisional) against 36 days in FY2017. The collection period stood at 31 days in FY2018 (Provisional) against 8 days in FY2017.

- **Moderate financial risk profile**

Vivekanand Group has a moderate financial risk profile marked by a healthy net worth of Rs.58.91 crore as on March 31, 2018 (Provisional) against Rs.51.47 crore as on March 31, 2017. The improvement in net worth is attributable to healthy accretion of reserves over the period. The gearing stood moderate at 1.50 times as on March 31, 2018 (Provisional) against 1.89 times as on March 31, 2017. The total debt as on March 31, 2018 (Provisional) stood at Rs.88.56 crore includes Rs.57.76 crore of long term loan from the bank, Rs.12.24 crore of unsecured loans from the promoters and Rs.18.56 crore of short term facility from the bank. The net cash accruals stood at Rs.16.34 crore in FY2018 (Provisional) against a debt obligation of Rs.8.00 crore. The interest coverage ratio stood moderate at 2.76 times in FY2018 (Provisional) against 1.79 times in the previous year. The total outside liabilities to

total net worth ratio stood at 2.64 times as on March 31, 2018 (Provisional) against 2.00 times as on March 31, 2017. DSCR stood at 2.66 times for FY2018 (Provisional) against 1.79 times for FY2017. Acuité believes that the Group will be able to sustain a moderate financial risk profile on the back of stable revenue growth.

- **Y-o-Y revenue growth**

Vivekanand Group has recorded Y-o-Y revenue growth with CAGR of ~30 percent from the period of 2015 to 2018. The group booked revenue of Rs.552.96 crore in FY2018 (Provisional) against a revenue of Rs.359.05 crore in FY2017. VCLLP, VI and ACL generated revenue of Rs.140.61 crore, Rs.101.51 crore and Rs.469.47 crore in FY2018 (Provisional), respectively.

Weaknesses

- **Operations are susceptible to fluctuations in agro commodity prices**

Vivekanand Group's margins are highly susceptible to changes in cotton prices. Price of cotton is stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with the suppliers as well. Any adverse movement of cotton prices further impacts the operating performance of the Group.

- **Presence in highly fragmented industry**

Vivekanand Group operates in a highly fragmented industry with large numbers of organised and unorganised players resulting in thin profitability. Further, profitability is expected to remain thin due to major portion of its revenue generation from the trading entity. PAT margins stood at 0.96 percent in FY2018 (Provisional) as against 0.41 percent in FY2017.

Outlook: Stable

Acuité believes that Vivekanand Group will maintain 'Stable' outlook over the medium term on the back of long track record of operations, experience management and efficient working capital management. The outlook may be revised to 'Positive' in case the Group registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the Group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the financial risk profile or significant elongation in working capital cycle.

About the Group

The Gujarat-based, Vivekanand Group was established in 1983 by the Patel family. The group is engaged in cotton ginning, spinning and exporting of cotton yarn. VI was established in 1983 as a partnership firm. The firm is engaged in cotton ginning, pressing and extraction of oil cakes. The firm has 52 DR machines with an installed capacity to manufacture 400 bales per day and 11 expellers with an installed capacity to produce 900 bags per day of 60 kg each of cotton oil cakes. ACL was incorporated in 2010 as a public limited company. It is engaged in the exports of cotton bales (80 percent of total revenue), cotton yarn (15 percent of total revenue) and cotton waste (5 percent of total revenue). ACL exports ~90 percent of its products to Pakistan (Sole Agency), China (Sole Agency), Bangladesh, Vietnam, Thailand, Taiwan, Japan, Europe and America. The remaining 10 percent is sold in the domestic market in Gujarat.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	552.96	359.05	375.11
EBITDA	Rs. Cr.	26.19	16.30	3.22
PAT	Rs. Cr.	5.32	1.48	0.28
EBITDA Margin	(%)	4.74	4.54	0.86
PAT Margin	(%)	0.96	0.41	0.07
ROCE	(%)	10.86	9.79	4.97
Total Debt/Tangible Net Worth	Times	1.50	1.89	2.22
PBDIT/Interest	Times	2.76	1.79	1.30
Total Debt/PBDIT	Times	3.27	5.19	15.19
Gross Current Assets (Days)	Days	91	64	69

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	54.00	ACUITE BB+ / Stable

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About Acuité Ratings & Research:

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