

February 3, 2012

CARE ASSIGNS 'CARE A4+' RATINGS TO THE BANK FACILITIES OF VIJAY GARMENTS LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Short-term Bank Facilities	24.00	CARE A4+ [A Four Plus]	Assigned
Total Facilities	24.00		

Rating Rationale

The ratings are constrained by the small scale of operations of VGL with limited backward integration, relatively low profitability metrics and working-capital intensive nature of business. Furthermore, the ratings are constrained by high client concentration risk and competition from other low-cost manufacturing countries.

These concerns far outweigh the support extended by the promoters in the form of unsecured loan/equity and comfortable capital structure.

Going forward, VGL's ability to scale up the operations and improve the profitability would be the key rating sensitivities.

Background

VGL was incorporated in 1988 by Late Mr D.Parthasarathy Reddy, founder of DPS Reddy group of companies (established in 1951) and is engaged in manufacture and export of readymade garments. The company is currently managed by Mr D.Vijayagopal Reddy; son of Mr D.Parthasarathy Reddy. VGL has two manufacturing units located in Chennai with a total stitching capacity of 36 lakh pieces per annum.

During FY11 (refers to the period April 01, 2010 to March 31, 2011), the company has registered a PAT of Rs.0.17cr on a total income of Rs.49 cr. For the six months period ended September 2011 (provisional), VGL has achieved a PBT of Rs.1.3 cr on a total income of Rs.28 cr.

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¹Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications

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