

Vardhman Spinners

September 30, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.87	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) on the basis of best available information
Total Facilities	11.87 (Rs. Eleven Crore and Eighty-Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Vardhman Spinners to monitor the rating vide letter dated September 10, 2020 and e mail communications dated September 03, 2020, August 24, 2020, August 14, 2020, June 03, 2020 and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Vardhman Spinners bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING.**

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

The long term rating of the company has been revised on account of exposure to raw material price volatility, partnership nature of constitution, and highly competitive and fragmented nature of industry. The ratings, however, derive strength from experienced partners and established track record of entity and favorable location.

Key Rating Weaknesses

Exposure to raw material price volatility

The main raw materials required for production is polyester yarn. Polyester yarn is a derivative of crude oil, and hence its price is directly correlated to the variations in global crude oil prices which is inherently highly volatile. Therefore, the firm is exposed to any fluctuation in the prices of polyester yarn. Any sudden spurt in the raw material prices may not be passed on to customers completely owing to firm's presence in highly competitive industry.

Partnership nature of constitution

VSP's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factor affecting credit decision of the lenders.

Highly competitive and fragmented nature of industry

The firm operates in the textile manufacturing and processing industry which is highly competitive industry with presence of numerous independent small-scale enterprises owing to low entry barriers leading to high level of competition in the processing segment. Furthermore, the Indian textile industry also faces competition from the low cost countries like China and Bangladesh. The intense competition in the textile processing

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

*Issuer did not cooperate; Based on best available information

industry also restricts ability to completely pass on volatility in input cost to its customers, leading to lower profit margins.

Key Rating Strengths

Experienced partners and established track record of entity

VSP is currently being managed by Mr. Ajay Kumar Jain, Mr. Hemant Kumar Jain, Ms. Shashi Jain and Ms. Dipty Jain as its partners. Mr. Ajay Kumar Jain has a work experience of around two and a half decades and Mr. Hemant Kumar Jain has a work experience of one and a half decades. Ms. Shashi Jain and Ms. Dipty Jain have work experience of around one decade each through their association with VSP only. Furthermore, the long track record has aided the firm in having established relationship with customers and suppliers

Favorable location

VSP's manufacturing facility is located in Panipat, Haryana which is one of the largest textile hubs in India for blankets, fabrics and floor coverings and is a ready available market for these products. The firm benefits from the location advantage in terms of easy accessibility to large customer base located in Panipat. Additionally, various raw materials required in manufacturing of products are readily available owing to established supplier base in the same location. Furthermore, skilled labor is also available by virtue of it being situated in the textile cluster.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Rating Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Liquidity analysis of Non-financial sector entities](#)

[Financial ratios –Non-Financial Sector](#)

About the company

Vardhman Spinners (VSP), based in Panipat, Haryana was established in May 2009 as a partnership firm. The firm is currently being managed by Mr. Ajay Kumar Jain, Mr. Hemant Kumar Jain, Ms. Shashi Jain and Ms. Dipty Jain as its partners. The firm is currently engaged in manufacturing of mink blankets and Upper shoe material at its manufacturing facility located in Panipat with an installed capacity of producing 54 lakh kg per annum of mink blankets as on June 30, 2019. The firm undertakes in-house dyeing and stitching of these blankets. The firm is also into trading of grey fabric with local procurement and sale of the same. Besides VSP, the partners are also associated with group concerns - MDJ Texco Fab Private Limited (MDJ) (CARE BB-; Stable) which is engaged in manufacturing of shoddy wool yarn, acrylic yarn, polar fleece blanket, polar fleece rolls, etc. and MJ Home Furnishing which is engaged in manufacturing of fabric.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (Prov.)
Total operating income	40.82	64.81
PBILDT	3.19	4.89
PAT	0.06	0.89
Overall gearing (times)	9.85	6.33
Interest coverage (times)	1.80	2.59

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December, 2023	4.87	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	7.00	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	4.87	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (22-Jul-19)	1)CARE BB-; Stable (22-May-18)	-
2.	Fund-based - LT-Cash Credit	LT	7.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (22-Jul-19)	1)CARE BB-; Stable (22-May-18)	-

Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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