

Vaishnavi Cotton Industries

Instrument	Amount	Rating Action
Long Term Fund Based – Cash Credit	Rs. 7.00 crore	[ICRA]B, downgraded from [ICRA]B+

ICRA has revised the long term rating assigned to the Rs.7 crore¹ fund based bank facility of Vaishnavi Cotton Industries (VCI or the firm²) to [ICRA]B (pronounced as ICRA B) from [ICRA]B+ (pronounced as ICRA B plus).

The rating revision factors in the firm's weakened financial profile in FY 2015 characterized by declined revenues and low profitability on account of slowdown in cotton industry and plummeting prices. Low profitability and high debt levels have further pressurized the interest coverage ratio in FY 2015 which stood at 0.90 times as on March 31, 2015. Further the operations of the firm would continue to remain exposed to the ongoing demand turbulences globally, adverse movements in cotton prices which are subject to climatic conditions, and government regulations along with intense competition in the domestic market. ICRA also notes that VCI is a partnership firm and any significant withdrawals from the capital account could affect its net worth and thereby its capital structure.

The rating, however, favorably takes into account the extensive experience of partners in the cotton industry and proximity of the firm's plant to the cotton producing belt of India which ensures regular and easy availability of raw materials.

About the Entity

Vaishnavi Cotton Industries (VCI) was set up as a partnership firm in the year 2006 by Mr. Mukesh Patel and other family members. It is engaged in processing of raw cotton to produce cotton bales and cotton seeds. The manufacturing plant of the firm is situated in Kadi, Gujarat and is equipped with thirty ginning machines with an installed capacity to process 126 MT of raw cotton per day.

Recent Results

VCI recorded a net profit of Rs. 0.04 crore on an operating income of Rs. 33.13 crore for the year ending March 31, 2015.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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