Summary of rated instruments

<table>
<thead>
<tr>
<th>Instrument*</th>
<th>Previous Rated Amount (Rs. crore)</th>
<th>Current Rated Amount (Rs. crore)</th>
<th>Rating Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Fund-based Cash Credit</td>
<td>8.00</td>
<td>8.00</td>
<td>[ICRA]BB+ (Stable); Outstanding</td>
</tr>
<tr>
<td>Long-term Fund-based Term Loan</td>
<td>0.82</td>
<td>19.16</td>
<td>[ICRA]BB+ (Stable); Assigned/Outstanding</td>
</tr>
<tr>
<td>Short-term Non-fund Based</td>
<td>2.12</td>
<td>2.84</td>
<td>[ICRA]A4+; Assigned/Outstanding</td>
</tr>
<tr>
<td>Long Term/ Short Term - Unallocated</td>
<td>3.06</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.00</strong></td>
<td><strong>30.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Instrument details are provided in Annexure-1

Rating action
ICRA has assigned the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) and short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) on the Rs. 30.00-crore (enhanced from 14.00-crore) bank facilities of Vikas Spool Private Limited (VSPL). The outlook on the long-term rating is Stable.

Rationale
The ratings continue to take into account the extensive experience of the promoters in the spool-manufacturing business and the established customer and supplier base of the company. The ratings also take into consideration the healthy capacity utilisation of VSPL and the improvement in the gearing levels and debt coverage indicators.

However, the ratings are constrained by the company’s modest scale of operations along with the limited demand for spool as it primarily finds application in the wire and cable industry. This, coupled with the exposure to fluctuations in the raw material prices, results in modest profitability indicators. The ratings further take into consideration the ongoing capital expenditure of the company as it is shifting its existing operations to a new location besides adding of new capacities and a new product line (e-rickshaw rooftop) at a total expected project cost of Rs. 24.48 crore. This is likely to impact the gearing levels and debt coverage indicators in the near-to-medium term.

Outlook: Stable
ICRA believes that VSPL will continue to benefit from the extensive experience of the promoters in the spool-manufacturing business. The outlook may be revised to Positive if consistent growth in revenues and profitability, improved coverage indicators and better working capital management, strengthen the financial risk profile. The outlook may be revised to Negative if cash accruals are lower than expected because of a decline in profitability, or if a stretch in working capital cycle weakens its liquidity. Timely execution of the proposed capital expenditure will be key monitorable.

1 For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications
Key rating drivers

Credit strengths

Extensive experience of promoters in spool manufacturing business - VSPL’s operations are overseen by the directors Mr. Shiv Janam Yadav and Mr. Vikas Yadav (son of Mr. Shiv Janam Yadav), who have been involved in the spool manufacturing industry for over three decades. The directors are actively involved in the day-to-day operations of the company.

Healthy capacity utilisation levels - Despite the expansion of production capacity in FY2018, the capacity utilisation levels of the company remained healthy at 79% in FY2018.

Comfortable capital structure and debt coverage indicators – VSPL’s capital structure remained comfortable with debt-equity ratio of 0.50 times in FY2018 owing to a decline in working capital borrowings. The coverage indicators of the company remained comfortable as reflected by OPBDITA/Interest of 3.89 times, Total Debt/OPBDITA of 1.82 times and NCA/Total Debt of 41%, as on March 31, 2018. However, the gearing and debt coverage indicators are expected to moderate in near-to-medium term due to ongoing capital expenditure plans.

Credit challenges

Moderate scale of operations; moderate profitability indicators - VSPL has a moderate scale of operations with revenues of Rs. 53.48 crore in FY2018 against Rs. 45.43 crore in FY2017, which indicates a YoY growth of 18%. The profitability of the company remains moderate with operating margin in the range of 7-8% in the last four to five years.

Profitability remains vulnerable to raw material price fluctuations - The margins of the company are largely affected by raw material price fluctuation, which in turn affects sales realisations. Any adverse movement in the price of raw materials could have an adverse impact on the company’s margins.

Limited demand for spool - The demand for spools is primarily limited as it finds application primarily in the wire and cable industry.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria

Corporate Credit Rating Methodology

About the company

VSPL was established in 1985 as a proprietorship firm for trading spools. It began commercial manufacturing of spools in 1992. It converted into a private limited company in March 2005. The company manufactures plastic spools of different and varied quality, which primarily find usage in wire industry covering copper wire and strips, stainless steel wire, aluminium wire and strips, welding wire, special purpose wires and cables. The manufacturing facility of the company is located at Bahadurgarh, Haryana and has an annual installed capacity of 60 lakh kg per annum.

In FY2018, the company reported a net profit of Rs. 1.75 crore on an OI of Rs. 53.48 crore compared with a net profit of Rs. 1.17 crore on an OI of 45.53 crore in the previous year.
Key financial indicators (audited)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Rs. crore)</td>
<td>40.98</td>
<td>45.43</td>
<td>53.48</td>
</tr>
<tr>
<td>PAT (Rs. crore)</td>
<td>0.72</td>
<td>1.17</td>
<td>1.75</td>
</tr>
<tr>
<td>OPBDIT/OI (%)</td>
<td>8.00%</td>
<td>8.29%</td>
<td>7.68%</td>
</tr>
<tr>
<td>RoCE (%)</td>
<td>14.14%</td>
<td>14.04%</td>
<td>14.10%</td>
</tr>
<tr>
<td>Total Debt/TNW (times)</td>
<td>1.24</td>
<td>0.73</td>
<td>0.50</td>
</tr>
<tr>
<td>Total Debt/OPBDIT (times)</td>
<td>3.69</td>
<td>2.55</td>
<td>1.82</td>
</tr>
<tr>
<td>Interest Coverage (times)</td>
<td>1.93</td>
<td>2.82</td>
<td>3.89</td>
</tr>
</tbody>
</table>

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Type</th>
<th>Amount Rated (Rs. crore)</th>
<th>Amount Outstanding as on March 31, 2018 (Rs. crore)</th>
<th>Date &amp; Rating September 2018</th>
<th>Date &amp; Rating in FY2018 October 2017</th>
<th>Date &amp; Rating in FY2017 June 2016</th>
<th>Date &amp; Rating in FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Cash Credit</td>
<td>Long Term</td>
<td>8.00</td>
<td>[ICRA]BB+ (Stable)</td>
<td>[ICRA]BB+ (Stable)</td>
<td>[ICRA]BB+ (Stable)</td>
<td>[ICRA]BB (Stable)</td>
<td></td>
</tr>
<tr>
<td>2 Term Loan</td>
<td>Long Term</td>
<td>19.16</td>
<td>[ICRA]BB+ (Stable)</td>
<td>[ICRA]BB+ (Stable)</td>
<td>[ICRA]BB+ (Stable)</td>
<td>[ICRA]BB (Stable)</td>
<td></td>
</tr>
</tbody>
</table>

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)
### Annexure-1: Instrument Details

<table>
<thead>
<tr>
<th>ISIN No</th>
<th>Instrument Name</th>
<th>Date of Issuance / Sanction</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Amount Rated (Rs. crore)</th>
<th>Current Rating and Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>Cash Credit</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>8.00</td>
<td>[ICRA]BB+ (Stable)</td>
</tr>
<tr>
<td>NA</td>
<td>Term Loan 1</td>
<td>June 2015</td>
<td>NA</td>
<td>FY2020</td>
<td>0.50</td>
<td>[ICRA]BB+ (Stable)</td>
</tr>
<tr>
<td>NA</td>
<td>Term Loan 2</td>
<td>October 2017</td>
<td>NA</td>
<td>FY2022</td>
<td>3.66</td>
<td>[ICRA]BB+ (Stable)</td>
</tr>
<tr>
<td>NA</td>
<td>Proposed Term Loan</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>15.00</td>
<td>[ICRA]BB+ (Stable)</td>
</tr>
<tr>
<td>NA</td>
<td>Non-fund Based</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>2.84</td>
<td>[ICRA]A4+</td>
</tr>
</tbody>
</table>

Source: VSPL
ANALYST CONTACTS

K Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Manish Ballabh
+0124-4545 812
manish.ballabh@icraindia.com

Amit Arora
+0124-4545 318
amita@icraindia.com

Prerna Aggarwal
+0124- 4545 891
prerna.aggarwal@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:
+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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For more information, visit www.icra.in
ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches
Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
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