

Ganga Spintex Limited

March 02, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	10.60	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	10.60 (Rs. Ten Crore and Sixty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Ganga Spintex Limited (GSL) to monitor the rating vide letter dated January 29, 2021 and e mail communications dated January 28, 2021, January 22, 2021, January 18, 2021 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 Ganga Spintex Limited facilities will now be denoted as **CARE BB-; 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 rating.

The rating assigned to the bank facilities of GSL has been revised on account of non-availability of requisite information due to non-cooperation by GSL with CARE's efforts to undertake a review of the outstanding rating. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to be constrained by the small scale of operations, susceptibility of margins to volatility in the prices of raw material, customer concentration risk and highly competitive and fragmented nature of the industry. The rating however, derives strength from the experienced promoters and favorable location of operations.

Detailed description of the key rating drivers

Key Rating Weaknesses

Susceptibility of margins to volatility in the prices of raw material: The profitability margins of the company remain susceptible to the fluctuations in the raw material prices. The operations of GSL are raw material intensive in nature with the material cost constituting ~75% on an average (of the total income) in the past. This exposes the margins of the company to any adverse movement in the raw material prices.

Small scale of operations: The operating income of the company remained small at Rs.66.74 cr., in FY19.

Customer concentration risk: In FY19, the top five customers contributed ~46% (PY: ~72%) of the total operating income of the company which exposes the revenue stream of the company to a customer concentration risk. Any change in the procurement policy of the clientele will affect the performance of GSL.

Highly competitive and fragmented nature of the industry: The cotton yarn industry is highly fragmented in nature with stiff competition from large number of organized as well as unorganized players. This limits the pricing power of the manufacturers and puts pressure on profitability.

Key Rating Strengths

Experienced promoters: The company is promoted by its three directors - Mr. Amar Nath, Mr. Anil Kumar and Mr. Parminder Kumar. Mr. Amar Nath, is a graduate by qualification and has a total experience of more than three and a half decades through his association with GSL and other group concerns. Furthermore, Mr. Parminder Kumar and Mr. Anil Kumar (both sons of Mr. Amar Nath) have an experience of more than two decades in the industry.

Favourable location of operations: GSL operates from Mansa, Punjab, which is an established cotton cultivation belt. This location results in ease of procurement as well as access to a wide customer base while reducing the cost of logistics.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Liquidity analysis of Non-financial sector entities](#)
[Financial ratios –Non-Financial Sector](#)
[Rating Methodology: Cotton Textile Manufacturing](#)
[CARE's methodology for manufacturing companies](#)

About the Company

Ganga Spintex Limited (GSL) was incorporated in May-2010. The company was engaged in the manufacturing and sale of cotton yarn and cotton seeds since the commencement of its operations in 2012; till FY18. However, the company stopped its operations in the cotton seeds segment in FY19. The manufacturing facility has a total installed capacity of 6 Metric Tonnes Per day (TPD) as on March 31, 2019 situated at Mansa, Punjab. GSL supplies yarn to manufacturers and traders to be used for the manufacturing of denim, terry towel, suiting cloth, shirting and home furnishing.

Brief Financials (Rs. crore)	FY18(A)	FY 19(A)
Total operating income	55.10	66.74
PBILDT	5.48	5.08
PAT	0.25	0.38
Overall gearing (times)	1.35	0.83
Interest coverage (times)	3.13	3.83

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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-Cash Credit	-	-	-	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	0.60	CARE BB-; 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-Cash Credit	LT	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (04-Feb-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Nov-18)	1)CARE BB; Stable (29-Nov-17)
2.	Fund-based - LT-Term Loan	LT	0.60	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (04-Feb-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Nov-18)	1)CARE BB; Stable (29-Nov-17)

*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.

Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.