

## Tulip Cotspin Private Limited

May 04, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and Withdrawn
<b>Total Bank Facilities</b>	-		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has reviewed the ratings assigned to the bank facilities of Tulip Cotspin Private Limited (TCPL) at 'CARE BB-; Stable/ CARE A4'; Issuer Not Cooperating\* (Double B Minus; Outlook: Stable/ A Four; Issuer Not Cooperating\*) and has simultaneously withdrawn it, with immediate effect.

The ratings remained constrained on account of moderate scale of operations and profit margins and moderate capital structure and debt coverage indicators during FY20 (FY; refers to the period April 01 to March 31). Further, the ratings continue to remain constrained due to susceptibility of profit margins to volatility in raw material price and seasonality associated with cotton industry and presence in highly fragmented and competitive cotton yarn industry. The ratings, however, continue to derive strength from the vast experience of directors in cotton industry, strategically located within cotton-producing belt of Gujarat along with eligibility for fiscal benefits from Government.

The ratings withdrawal is at the request of TCPL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### **Moderate scale of operations and profit margins**

TCPL has reported decline in TOI of 10.72% which remained moderate at Rs. 80.03 crore during FY20 (Rs. 89.64 crore during FY19). During FY21 (Provisional), TCPL has achieved TOI of Rs.77.66 crore. Profit margins remained moderate marked by PBILDT Margin of 14.73% during FY20 which has declined from 15.93% during FY19 on account of higher employee costs. However, PAT Margin has improved from 2.87% during FY19 to 3.60% during FY20 due to lower interest cost.

##### **Moderate capital structure and debt coverage indicators**

Capital structure has improved, however, remained moderate as on March 31, 2020 marked by overall gearing ratio of 1.19x (1.63x as on March 31, 2019). The improvement was mainly on account of lower debt level which pertains to withdrawal of unsecured loans by promoters as well as repayment of term loans. Further, on the back of lower total debt level and interest cost, debt coverage indicators have improved during FY20' albeit remains moderate marked by TDGCA of 3.01 years and interest coverage of 5.27 times (3.47 years and 3.43 times respectively).

##### **Susceptibility of profit margins to volatility in raw material price and seasonality associated with cotton industry**

Operations of cotton business are seasonal in nature, as sowing season is done during March to July and harvesting cycle (peak season) is spread from November to February every year. Prices of raw material i.e. cotton bales are highly volatile in nature and depend upon factors like monsoon condition, area under production, yield for the year, international demand supply scenario, export policy decided by government and inventory carried forward of last year. This in turn also affects demand for cotton yarn.

##### **Presence in highly fragmented and competitive cotton yarn industry**

TCPL operates in highly fragmented and unorganized market of spinning industry marked by presence of large number of small-sized players. The industry is characterized by low entry barrier due to easy access to customers and suppliers along with raw material from nearby location.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; based on best available information

## Key Rating Strengths

### ***Experienced directors***

All the directors of the company are holding average experience of more than one and a half decades in same line of business. Due to the vast experience in cotton processing industry, the directors have developed good relationship with customers.

### ***Strategically located within cotton-producing belt of Gujarat***

TCPL's plant is located in cotton producing belt of Gujarat region which is the largest producer of raw cotton in India. TCPL's presence in cotton producing region results in benefit derived from lower logistics expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective price and consistent demand for finished goods resulting in sustainable revenue visibility.

### ***Fiscal benefits from the Government***

TCPL is eligible to receive various fiscal benefits from government in terms of capital subsidy, interest subsidy, power tariff subsidy and other benefits under Technology Up-gradation Funds (TUF) scheme.

**Analytical approach:** Standalone

## Applicable Criteria

[Policy on Withdrawal of ratings](#)

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

[Criteria on assigning Outlook to Credit Rating](#)

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

[Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial Ratios-Non-Financial Sector](#)

## About the company

Amreli (Gujarat)-based, TCPL is a private limited company incorporated during July 2015 by Mr. Maganbhai Parvadiya, Mr. Chandubhai Parvadiya, Mr. Kamleshbhai Bokarvadiya, Mr. Kantilal Bokarvadiya, Mr. Jagdishbhai Finava, Mr. Pravinbhai Finava and Mrs. Gitaben Finava. TCPL is into business of cotton spinning and operates with an installed capacity of 4889 MTPA of cotton yarn with 30s count. The company started its operations from April 2017.

Brief financials of TCPL are tabulated below:

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	89.64	80.03
PBILDT	14.28	11.79
PAT	2.58	2.88
Overall gearing (times)	1.63	1.19
Interest coverage (times)	3.43	5.27

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

**Complexity level of various instruments rated for this company:** Please refer Annexure-3

**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	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn

**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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (17-Mar-21)	1)CARE BB; Stable (16-Mar-20) 2)CARE BB; Stable (07-Jun-19)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-19)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)CARE A4; ISSUER NOT COOPERATING* (17-Mar-21)	1)CARE A4+ (16-Mar-20) 2)CARE A4+ (07-Jun-19)	1)CARE A4; ISSUER NOT COOPERATING* (20-Feb-19)
3.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (17-Mar-21)	1)CARE BB; Stable (16-Mar-20) 2)CARE BB; Stable (07-Jun-19)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Feb-19)

\*issuer did not cooperate; based on best available information

**Annexure 3: 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
3.	Non-fund-based - ST-Bank Guarantees	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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**