

Kaushalya Spinners

February 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.09	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	8.09 (Rs. Eight Crore and Nine Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from Kaushalya Spinners (KS) to monitor the rating vide e-mail communications/letters dated January 12, 2022, January 13, 2022, January 14, 2022, February 07, 2022 and February 09, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on KS's 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 rating(s).

The revision in the rating assigned to the bank facilities of Kaushalya Spinners was on account of non-availability of requisite information.

Detailed description of the key rating drivers

At the time of last rating on February 18, 2021 the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Low profitability margins

The PBILDT margin declined marginally from 4.01% in FY19 to 3.94% in FY20 as the firm compromised on margins to increase its sales. The PAT margin, however, improved from 0.63% in FY19 to 1.40% in FY20 due to higher PBILDT.

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

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

Key rating strengths

Increasing scale of operations

The TOI of the firm increased from Rs.51.64 crore in FY19 to Rs.78.52 crore in FY20 due to higher quantities sold due to increase in orders received from existing as-well-as new customers added. However, the firm reported TOI of Rs.49.00 crore in 10MFY21 (Prov.).

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

*Issuer did not cooperate; Based on best available information

Improving overall solvency position

The capital structure of the firm stood improved on a year-on-year basis marked by overall gearing ratio of 1.43x as on March 31, 2020 (PY: 2.39x) due to accretion of profits to net worth and lower total debt outstanding. The interest coverage ratio of the firm improved from 2.66x in FY19 to 3.66x in FY20 due to increase in PBILDT in absolute terms. The total debt to GCA ratio also improved from 5.09x for FY19 to 2.80x for FY20 due to lower debt levels coupled with increase in gross cash accruals of the firm in FY20.

Experienced partners and established track record of entity

KSP is currently being managed by Mr. Jagdish Rai Jain, Mr. Sachin Jain and Mr. Raman Jain as its partners. Mr. Jagdish Rai Jain has a work experience of around three decades through his association with KSP, Gold Spin India Pvt. Ltd. and Jagdish Rai Jain HUF. Mr. Sachin Jain has a work experience of thirteen years through his association with KSP and Veer Enterprises. Mr. Raman Jain has an industry experience of around one decade through his association with KSP and Gold Spin India Pvt. Ltd. The partners have adequate acumen about various aspects of business which is likely to benefit KSP in the long run. Furthermore, the long track record has aided the firm in having established relationship with customers and suppliers.

Favourable location of plant

KSP'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 readily 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 'outlook' and 'credit watch' to Credit Ratings](#)

[Policy on default recognition](#)

[Rating Methodology - Manufacturing Companies](#)

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

About the Firm

Kaushalya Spinners (KSP), based in Panipat, Haryana was established in 1995 as a partnership firm. The firm is currently being managed by Mr. Jagdish Rai Jain, Mr. Sachin Jain and Mr. Raman Jain as its partners. KSP is presently engaged in manufacturing of mink blankets, polyester fabric and semi-finished 3D bed-sheets at its facility located in Panipat, Haryana with an installed capacity of manufacturing 30 lakh kg of mink blankets per annum and 90 lakh meters of bed sheets as on June 30, 2019. The firm undertakes in-house dyeing and stitching of these blankets. The polyester fabric manufactured by firm is used as captive consumption for manufacturing of mink blankets. Besides KSP, the partners are also associated with other group concerns – Veer Enterprises, a proprietorship firm engaged in trading of rags since 2013, Gold Spin India Pvt. Ltd. – engaged in manufacturing of 3D blankets, and polar blankets since 1975 and Jagdish Rai Jain HUF – engaged in trading of rags since 2006.

Brief Financials (Rs. crore)	FY20(A)	FY21(A)	9MFY22(Prov.)
Total operating income	78.52	NA	NA
PBILDT	3.09	NA	NA
PAT	1.10	NA	NA
Overall gearing (times)	1.43	NA	NA
Interest coverage (times)	3.66	NA	NA

A: Audited; Prov.; Provisional; NA: Not Available

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: Please refer Annexure-3

Complexity level of various instruments rated for this trust: Please refer Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	September, 2025	3.09	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	5.00	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 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-Term Loan	LT	3.09	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Feb-21) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (30-Sep-20)	1)CARE BB-; Stable (18-Jul-19)	1)CARE BB-; Stable (27-Jun-18)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Feb-21) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (30-Sep-20)	1)CARE BB-; Stable (18-Jul-19)	1)CARE BB-; Stable (27-Jun-18)

*Issuer did not cooperate; Based on best available information

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name - Shachee Nakul Vyas
Contact no.- 8511182592
Email ID: shachee.tripathi@careedge.in

Relationship Contact

Name -Swati Agrawal
Contact no. -+91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings:

Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**