

FEBRUARY 08, 2016

**CARE ASSIGNS 'CARE B+' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF  
GAJANAND SPINTEX INDIA PRIVATE LIMITED**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	18.49	<b>CARE B+ (Single B Plus)</b>	Assigned
Short-term Bank Facilities	0.10	<b>CARE A4 (A Four)</b>	Assigned
<b>Total</b>	<b>18.59 (Rupees Eighteen crore Fifty Nine lakh only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Gajanand Spintex India Private Limited (GSIPL) are primarily constrained on account of nascent stage of operations in highly fragmented and competitive cotton yarn manufacturing industry. The ratings are further constrained due to susceptibility of operating margins to fluctuation in raw material prices.

The above constraints outweigh the benefits derived from the promoters' experience in the textile industry, the company's presence in the cotton-producing belt of Gujarat region with easy access to raw material and availability of various fiscal benefits from the government.

Going forward, GSIPL's ability to increase its scale of operations with improvement in profitability, capital structure and debt coverage indicators will be the key sensitivity. Furthermore, GSIPL's ability to manage its working capital requirement efficiently will also be crucial.

**Background**

Incorporated in December 2013, GSIPL is engaged into manufacturing of cotton combed yarn of 30 count which finds application into manufacturing of hosiery products. GSIPL operates from its sole manufacturing facility located in Mehsana – Gujarat and has an installed capacity to manufacture 4560 Kg of 30 Count Cotton Combed Yarn per Day from 8 Ring framed Machines having 11520 spindles as on March 31, 2015. The major raw material for manufacturing cotton yarn is ginned cotton which is procured from the local market of Gujarat.

During FY15 (refers to the period April 1 to March 31), GSIPL reported a total operating income (TOI) of Rs.0.50 crore and net loss of Rs.0.46 crore. During 7MFY16 (Provisional), GSIPL has achieved TOI of Rs.19.32 crore.

<sup>1</sup> Complete definition of the ratings assigned are available at <http://www.careratings.com> and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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