

MAY 16, 2016

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
GUJARAT HY-SPIN PRIVATE LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	38.89 (enhanced from 32.24)	CARE BB- (Double B Minus)	Reaffirmed
Long-term / Short-term Bank Facilities	2.00 (enhanced from 1.60)	CARE BB-/ CARE A4 (Double B Minus/ A Four)	Reaffirmed
Short-term Bank Facilities	0.18	CARE A4 (A Four)	Reaffirmed
Total	41.07 (Rupees Forty One crore and Seven lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Gujarat Hy-Spin Private Limited (GHSPL) continue to remain constrained on account of its short track record of operations with presence in the highly fragmented textile industry, elongated working capital cycle, moderate capital structure and debt coverage indicators. The rating factors in improvement in capital structure and debt coverage indicators along with moderate liquidity position during FY15 (refers to the period April 1 to March 31).

The aforementioned factors far offset the benefits derived from the experience of the promoters in the cotton industry through its associate entities.

GHSPL's ability to increase its scale of operations, improvement in profitability and capital structure in light of stiff competition within the cotton yarn industry and efficient working capital management are the key rating sensitivities.

Background

GHSPL was incorporated as a private limited company on February 01, 2011, by Mr Maganbhai Parvadia and Mr Chandulal Parvadia. GHSPL has two group concerns, namely, Gujarat Ginning & Oil Industry and Paras Cotton. The former is engaged in cotton ginning, pressing and crushing of oil seeds, while the latter carries out trading of cotton seeds and cotton bales. GHSPL has a spinning mill with an installed capacity of 17,952 spindles or 3,582 MTPA as on March 31, 2015, for manufacturing of the cotton yarn having combed counts yarn of 30 at its Gondal plant (Gujarat). GHSPL had started commercial production from December 2013.

As per the audited results for FY15, GHSPL reported net loss of Rs.0.84 crore on a total operating income (TOI) of Rs.55.18 crore as against net profit of Rs.0.22 crore on a total operating income of Rs.12.42 crore. As per the provisional results for FY16, GHSPL registered a turnover of Rs.51.73 crore.

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

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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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