

Gajanand Spintex India Private Limited

March 27, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	8.88	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Long-term/ Short-term Bank Facilities	6.00	CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four; ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Short-term Bank Facilities	0.10	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING)	Issuer Not Cooperating; Based on best available information
Total Facilities	14.98 (Rupees Fourteen Crore Ninety Eight lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Gajanand Spintex India Private Limited (GSIPL) to monitor the ratings vide e-mail communications/ letters dated November 16, 2018, January 02, 2019, February 20, 2019, February 28, 2019, March 12, 2019 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on GSIPL's bank facilities will now be denoted as CARE BB; Stable / CARE A4; 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 ratings take into account moderate scale of operations, modest profitability, and moderate capital structure and debt coverage indicators along with working capital intensive nature of operations in FY18 (refers to the period April 1 to March 31). The ratings are further constrained on account of susceptibility of profit margins to fluctuations in raw material prices and operations in highly fragmented textile industry.

The ratings, however, continue to derive strength from the experienced promoters and strategic location within cotton producing belt of Gujarat along with receipt of fiscal benefits from the Government.

Detailed description of the key rating drivers

At the time of last rating done on April 05, 2018, the following were the rating strengths and weaknesses (updated for details available from publicly available information)

Key Rating Weaknesses

Moderate scale of operations and modest profitability

The scale of operations of GSIPL marked by total operating income (TOI) remained moderate during FY18 at Rs.42.01 crore as against Rs.40.80 crore during FY17. PBILDT of the company remained modest at Rs.2.95 crore (7.01%) during FY18 as against Rs.3.36 crore (8.24%) during FY17 and reported low net profit of Rs.0.51 crore during FY18 as against net profit of Rs.0.85 crore during FY17.

Moderate capital structure and debt coverage indicators

Capital structure of the company remained moderate marked by overall gearing of 1.24 times as on March 31, 2018 as against 1.57 times as on March 31, 2017. Debt coverage indicators of the company remained moderate marked by total debt to Gross Cash Accruals (TDGCA) of 5.69 times as on March 31, 2018 and interest coverage of 4.28 times during FY18.

Working capital intensive nature of operations

Operations of GSIPL remained working capital intensive marked by current ratio of 0.82 times as on March 31, 2018 as against 0.90 times as on March 31, 2017, while the operating cycle remained comfortable at 16 days. Cash and bank balance remained at Rs.1.49 crore and net cash flow from operations at Rs.3.55 crore as on March 31, 2018.

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

*Issuer did not cooperate; Based on best available information

Susceptibility of profit margins to fluctuations in raw material prices and operations in highly fragmented textile industry

GS IPL is engaged in the business of manufacturing of cotton yarn; the major raw material for which is raw cotton. Prices of cotton which being an agro-commodity is seasonal in nature and subject to vagaries of weather. Any adverse changes in these variables may affect the margins of GS IPL. Further, industry is characterized by low entry barriers due to minimal capital requirement and easy access to customers and suppliers. Also, the presence of big sized players with established marketing & distribution network results into intense competition in the industry.

Key Rating Strengths

Experienced promoters and strategic location within cotton producing belt of Gujarat along with receipt of fiscal benefits from the Government

The key promoter-director of GS IPL has more than a decade of experience in the textile industry. Further, key raw material required for manufacturing of cotton yarn is cotton bales which are easily available due to presence of the company in cotton producing belt of Gujarat resulting in benefits derived from easy access to raw material, labour and power. Furthermore, GS IPL is eligible to receive interest subsidy from state as well as central government which is expected to increase the cash flows in the short-medium term.

Analytical approach: Standalone

Applicable Criteria

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

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

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

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

[Criteria for Short Term Instruments](#)

About the Company

Incorporated in December 2013, Gajanand Spintex India Pvt. Ltd. (GS IPL) is engaged into manufacturing of cotton combed yarn of 30 counts which finds application into manufacturing of hosiery products. GS IPL 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, 2017. The major raw material for manufacturing cotton yarn is ginned cotton which is procured from the local market of Gujarat.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	40.80	42.01
PBILDT	3.36	2.95
PAT	0.85	0.51
Overall gearing (times)	1.57	1.24
Interest coverage (times)	4.89	4.28

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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.

Analyst Contact

Name: Mr. Kalpesh Patel

Tel: (079) 40265611

Mobile: +91-9909026322

Email: kalpesh.patel@careratings.com

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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

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-Term Loan	-	-	May, 2021	8.88	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT/ ST-Cash Credit	-	-	-	6.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.10	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	8.88	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB; Stable (05-Apr-18)	1)CARE BB-; Stable (18-Apr-17)	-	1)CARE B+ (08-Feb-16)
2.	Fund-based - LT/ ST-Cash Credit	LT/ST	6.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB; Stable / CARE A4 (05-Apr-18)	1)CARE BB-; Stable (18-Apr-17)	-	1)CARE B+ (08-Feb-16)
3.	Non-fund-based - ST-Credit Exposure Limit	ST	0.10	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (05-Apr-18)	1)CARE A4 (18-Apr-17)	-	1)CARE A4 (08-Feb-16)

*Issuer did not cooperate; Based on best available information

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com