

**Gajanand Spintex India Private Limited**

May 08, 2020

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	8.88	<b>CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; Revised from CARE BB; Stable (Double B; Outlook: Stable); On the basis of best available information
Long-term/ Short-term Bank Facilities	6.00	<b>CARE BB-; Stable/ CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable/ A Four; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; Long-term rating revised from CARE BB; Stable (Double B; Outlook: Stable) and short-term rating reaffirmed; On the basis of best available information
Short-term Bank Facilities	0.10	<b>CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING)</b>	Issuer not cooperating; Based on best available information
<b>Total Facilities</b>	<b>14.98 (Rupees Fourteen Crore Ninety Eight lakh only)</b>		

*Details of facilities in Annexure -1*
**Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated March 27, 2019 placed the ratings of Gajanand Spintex India Private Limited (GSIPL) under the 'issuer non-cooperating' category as GSIPL had failed to provide information for monitoring of the ratings as agreed to in its Rating Agreement. GSIPL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated April 08, 2020, April 13, 2020 and April 15, 2020. 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.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

The ratings assigned to the bank facilities of GSIPL have been revised on account of non-availability of requisite information.

The ratings take into account moderate scale of operations, modest profitability, 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.

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

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

## Detailed description of the key rating drivers

At the time of last rating done on March 27, 2019, the following were the rating strengths and weaknesses (updated for details available from publicly available information)

### Detailed description of key rating drivers

#### 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.

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

GSIPL 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 GSIPL. 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 GSIPL 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, GSIPL 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](#)

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

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

#### About the Company

Incorporated in December 2013, Gajanand Spintex India Pvt. Ltd. (GSIPL) is engaged into manufacturing of cotton combed yarn of 30 counts 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, 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:** As per Annexure-2

**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; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT/ST-Cash Credit	-	-	-	6.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* on the basis of 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 co-operated; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	8.88	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Mar-19) 2)CARE BB; Stable (05-Apr-18)	1)CARE BB-; Stable (18-Apr-17)
2.	Fund-based - LT/ST-Cash Credit	LT/ST	6.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (27-Mar-19) 2)CARE BB; Stable / CARE A4 (05-Apr-18)	1)CARE BB-; Stable (18-Apr-17)
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; ISSUER NOT COOPERATING* (27-Mar-19) 2)CARE A4 (05-Apr-18)	1)CARE A4 (18-Apr-17)

*\*Issuer did not co-operated; Based on best available information*

**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.

#### Contact us

##### Media Contact

Name: Mr. Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

##### Analyst Contact

Name: Ms. Shreedha Shah

Contact no.: 079-40265636

Email ID: [shreedha.shah@careratings.com](mailto:shreedha.shah@careratings.com)

##### Business Development Contact

Name: Mr. Deepak Prajapati

Contact no.: 079-40265656

Email ID: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@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

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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.careratings.com](http://www.careratings.com)**