

Gujarat Hy-Spin Limited

July 10, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	32.58 (reduced from 38.89)	CARE BB-; Stable (Double B Minus; Outlook : Stable)	Revised from CARE BB-; ISSUER NOT COOPERATING (Double B Minus; ISSUER NOT COOPERATING)
Long-term / Short-term Bank Facilities	2.00	CARE BB-; Stable / CARE A4 (Double B Minus; Outlook : Stable/A Four)	Revised from CARE BB-/CARE A4; ISSUER NOT COOPERATING (Double B Minus/ A Four; ISSUER NOT COOPERATING)
Total Facilities	34.58 (Rupees Thirty four crore and Fifty eight lakh only)		

Details of instruments/facilities in Annexure-1

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the ratings of Gujarat Hy-Spin Limited (GHSL) and in line with the extant SEBI guidelines, CARE revised the ratings of bank facilities of the firm to 'CARE BB-; ISSUER NOT COOPERATING' and 'CARE BB-/CARE A4; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information to CARE. CARE has carried out a full review of the ratings and the ratings stand at 'CARE BB-; Stable' and 'CARE BB-; Stable/ CARE A4'.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Gujarat Hy-Spin Limited (GHSL) continue to remain constrained on account of its moderate scale of operation coupled with low profit margins, moderately leveraged capital structure, moderate debt coverage indicators and moderate liquidity position in FY17 (refers to the period April 1 to March 31). Furthermore, the ratings continue to remain constrained by presence in highly fragmented cotton yarn industry and susceptibility of operating margins due to raw-material price fluctuation risk. The ratings, however, derive strength from the wide experience of the promoters of over two decades in the cotton industry and operational linkages with associate concerns coupled with government support/incentives to the textile industry. GHSL's ability to increase its scale of operations along with improvement in the profit margins and better working capital management are the key rating sensitivities. Further, improving solvency position and debt protection metrics would also remain crucial.

Detailed description of the key rating drivers

Moderate scale of operations and low profit margins: Total operating income (TOI) of GHSL has remained moderate and in line as compared to the previous year due to stagnant demand and stood at Rs.51.90 crore during FY17 (Provisional). Further, PAT remains low on the back of high depreciation and interest costs.

Moderately leveraged capital structure and moderate debt coverage indicators: Solvency position marked by overall gearing stood moderately leveraged owing to moderate debt level and net worth base as on March 31, 2017 while total debt to GCA stood at 6.36 times as on March 31, 2017 (Provisional) as against 5.80 times as on March 31, 2016 (Audited) on account of low GCA level. Furthermore, the interest coverage ratio deteriorated during FY17 and stood at 2.55 as against 3.50 times during FY16, due to higher interest and finance expense.

Moderate liquidity position: The current ratio stood at 2.18 times as on March 31, 2017 which was inline as compared to the previous year. The working capital cycle elongated and stood at 179 days during FY17 (Provisional) as against 140 days during FY16 (Audited), mainly on account of higher inventory and collection period during FY17.

Key Rating Strengths

Experienced promoters: The promoters of GHSP Limited Mr Maganbhai Parvadia and Mr Chandulal Parvadia are engaged in cotton ginning and pressing business for more than two decades. Both promoters continue to carry on the business of cotton ginning and pressing in a partnership firm i.e. Gujarat Ginning & Oil Industry (GGOI, since 1994). Prior to that,

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

during 1980-1988, Mr Maganbhai Parvadia was engaged with Bhagwati Oil Mills and Mota Devadia. He also worked as a commission agent in cotton market.

Analytical approach: Standalone

Applicable Criteria

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

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

[CARE's methodology for cotton yarn Industry](#)

[CARE's methodology for manufacturing companies](#)

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

[Criteria for Short Term Instruments](#)

About the Company

GHSL was incorporated as a private limited company on February 01, 2011 by Mr Maganbhai Parvadia and Mr Chandulal Parvadia, and converted to limited company in February, 2017. GHSL 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. GHSL has a spinning mill with an installed capacity of 17,952 spindles or 3,582 MTPA as on March 31, 2017 for manufacturing of cotton yarn having combed counts yarn of 30s at its Gondal plant (Gujarat). GHSL started commercial production from December, 2013 onwards.

As per the Provisional results for FY17, GHSL reported a PAT of Rs.0.34 crore on a total operating income of Rs.51.90 crore as against a PAT of Rs.0.03 crore on a total operating income of Rs.51.89 crore in FY16 (Audited). Till June 26, 2017 (Provisional), GHSL reported total operating income of Rs.8 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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.

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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.

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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	-	-	December, 2021	22.58	CARE BB-
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BB-
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	2.00	CARE BB- / CARE A4
Non-fund-based - ST-Working Capital Limits	-	-	-	0.00	Withdrawn

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	22.58	CARE BB-	1)CARE BB-; ISSUER NOT COOPERATING* (19-Apr-17)	1)CARE BB- (16-May-16)	1)CARE BB- (02-Mar-16) 2)Suspended (13-Jan-16)	1)CARE B+ (31-Dec-14)
2.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB-	1)CARE BB-; ISSUER NOT COOPERATING* (19-Apr-17)	1)CARE BB- (16-May-16)	1)CARE BB- (02-Mar-16) 2)Suspended (13-Jan-16)	1)CARE B+ (31-Dec-14)
3.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	2.00	CARE BB- / CARE A4	1)CARE BB- / CARE A4; ISSUER NOT COOPERATING* (19-Apr-17)	1)CARE BB- / CARE A4 (16-May-16)	1)CARE BB- / CARE A4 (02-Mar-16) 2)Suspended (13-Jan-16)	1)CARE B+ / CARE A4 (31-Dec-14)
4.	Non-fund-based - ST-Working Capital Limits	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING* (19-Apr-17)	1)CARE A4 (16-May-16)	1)CARE A4 (02-Mar-16) 2)Suspended (13-Jan-16)	1)CARE A4 (31-Dec-14)

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