Gujarat Hy-Spin Private Limited

April 19, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	38.89	**CARE BB-; ISSUER NOT COOPERATING* (Double B Minus; ISSUER NOT COOPERATING*)**	Issuer not co operating; Based on best available information
Long-term Bank Facilities/ Short-term Bank Facilities	2.00	**CARE BB- / CARE A4; ISSUER NOT COOPERATING* (Double B Minus / A Four; ISSUER NOT COOPERATING*)**	Issuer not co operating; Based on best available information
Short-term Bank Facilities	0.18	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	Issuer not co operating; Based on best available information
Total Facilities	**41.07 (Rupees Fourty One crore and Seven lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Gujarat Hy-Spin Private Limited (GHSPL), to monitor the ratings vide e-mail communications/letters dated March 21, 2017, February 25, 2017, February 21,2017, February 1, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Furthermore, GHSPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Gujarat Hy-Spin Private Limited's bank facilities will now be denoted as **CARE BB-/CARE A4; ISSUER NOT COOPERATING***.

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

The rating takes into account its moderate scale of operation with thin profitability, moderate capital structure and debt coverage indicators in FY16 (refers to the period April 1 to March 31). The ratings, however, derives strength from the comfortable liquidity position in FY16 (refers to the period April 1 to March 31). The ratings also consider experienced promoters of the company. GHPL's ability to increase its sales of operations along with improvement in profitability and capital structure would be the key rating sensitivities.

Detailed description of the key rating drivers

At the time of last rating on May 11, 2016, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Weaknesses

Moderate Scale of operation with thin profitability: Scale of operations remained at moderate level. During FY16, TOI stood at Rs.51.89 crore a y-o-y decrease of 0.44%. Also, GCA marginally decrease to Rs.6.55 crore in FY16 compared to Rs.6.90 crore in FY15. The operating profitability of GHPL remained unchanged in FY16. However, the PAT margin improved by 168 bps to 0.06% in FY16 as compared to loss margin of 1.62% during FY15.

Moderate capital structure and debt coverage indicators: Solvency position improved marginally but continued to remain moderate as indicated by an overall gearing of 2.31 times as on March 31, 2016, as against 2.44 times as on March 31, 2015, due to increase in net worth. The net worth improved but stood moderate at Rs.17.71 crore as on March 31, 2016, as against Rs.1.34 crore as on March 31, 2015. The debt coverage indicators also remained moderate. Interest coverage ratio remained comfortable as marked by 3.50 times during FY16 as against 3.99 times in FY15. However, the total debt to GCA remained at 6.24 times as on March 31, 2016, as compared to 5.66 times as on March 31, 2015.

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

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

Key Rating Strengths

Comfortable liquidity position albeit elongated working capital cycle: As on March 31, 2016, GHPL's current ratio stood declined but remained comfortable at 2.19 times (FY15 2.91 times). The quick ratio declined to 1.42 times during FY16 as against 1.77 times during FY15. However, the working capital cycle remained elongated at 140 days in FY16 which declined from 105 days in FY15 on the back of increase in collection period

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
CARE's methodology for manufacturing companies
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments

About the Company

GHSPL was incorporated as a private limited company on February 1, 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 FY16, GHPL reported a PAT of Rs.0.03 crore on a total operating income of Rs.51.89 crore as against a net loss of Rs.0.84 crore on a total operating income of Rs.52.12 crore in FY15.

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.

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 31, 2021	28.89	CARE BB-; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BB-; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	2.00	CARE BB- / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Working Capital Limits	-	-	-	0.18	CARE A4; ISSUER NOT COOPERATING*

**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 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	28.89	CARE BB-; ISSUER NOT COOPERATING*	-	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-; ISSUER NOT COOPERATING*	-	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; ISSUER NOT COOPERATING*	-	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	0.18	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (16-May-16)	1)CARE A4 (02-Mar-16) 2)Suspended (13-Jan-16)	1)CARE A4 (31-Dec-14)

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

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