

SEPTEMBER 21, 2016

CARE ASSIGNS 'CARE B+' AND 'CARE A4' RATINGS ASSIGNED TO THE BANK FACILITIES OF TULIP COTSPIN PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	39.25	CARE B+ (Single B Plus)	Assigned
Short-term Bank Facilities	3.00	CARE A4 (A Four)	Assigned
Total Facilities	42.25 (Rupees Forty Two Crore and Twenty Five Lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Tulip Cotspin Private Limited (TCPL) are primarily constrained on account of implementation and stabilization risk associated with its on-going project along with susceptibility of profit margins to volatility in raw material prices and presence in highly fragmented and competitive cotton yarn industry.

The above constraints far offset the benefits derived from the experienced promoters in the cotton yarn industry along with strategic location in cotton-producing region, various fiscal benefits to be received from government and advanced stage of project implementation.

The ability of TCPL to successfully complete the project without any delay and stabilize its business operations by achieving envisaged capacity utilization and scale of operations would remain the key rating sensitivities.

Background

Amreli-based (Gujarat) TCPL is a private limited company incorporated on July 20, 2015 by Mr Maganbhai Parvadiya, Mr Chandubhai Parvadiya, Mr Kamleshbhai Bokarvadiya, Mr Kantilal Bokarvadiya, Mr Jagdishbhai Finava, Mr Pravinbhai Finava and Mrs Gitaben Finava. At present, TCPL is implementing a Greenfield project to set up a spinning unit at Amreli (Gujarat) with a proposed installed capacity of 4,889 MTPA of cotton yarn with 30s count. The company has envisaged a total cost of project of Rs.59.16 crore which is proposed to be funded through term loan of Rs.34.25 crore, equity share capital of Rs.20 crore and unsecured loans from promoters and relatives of Rs.4.91 crore. Products manufactured by TCPL will be used in the textile industry. TCPL has envisaged commencing commercial production from April 2017. The promoters of TCPL are also directors/ promoters in their group entities, namely, Gujarat Ginning & Oil Industries, Gujarat Hy-Spin Private Limited (rated 'CARE BB-/ CARE A4'), Shree Umiya Cotton Ginning & Pressing Private Limited, Vinayak Cottex, Everest Cotton, Avani Enterprise, Red Corner, Shree Umiya Trading Co, Bajrang Cotton, Anjani Industries and Ramdoot Industries.

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