

Tulip Cotspin Private Limited

November 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	39.25	CARE BB-;Stable (Double B Minus; Outlook: Stable)	Revised from CARE B+ (Single B Plus)
Short-term Bank Facilities	3.00	CARE A4 (A Four)	Reaffirmed
Total Facilities	42.25 (Rupees Forty Two crore and Twenty Five Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the long term rating assigned to the bank facilities of Tulip Cotspin Private Limited (TCPL) is on the back of increase in scale of operations on the back of successful completion of the project and consequent stabilization of operations. The ratings further derive strength from the experienced promoters in the cotton yarn industry along with strategic location in cotton-producing region as well availability of various fiscal benefits from the government.

The above strengths are offset by susceptibility of profit margins to volatility in raw material prices and presence in highly fragmented and competitive cotton yarn industry.

The ability of TCPL to achieve envisaged capacity utilization and increase its scale of operations and profitability further would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Successful completion of the project and stabilization of operations

TCPL has successfully completed project for setting up of a spinning unit within envisaged cost and within stipulated timeline by March 2017 and started its operations from April 2017. Till 5MFY18 (Prov.) TCPL has achieved Total Operating Income (TOI) of Rs.24.71 crore.

Strategically located within cotton-producing belt of Gujarat

TCPL's plant is located in cotton producing belt of Gujarat region which is the largest producer of raw cotton in India. TCPL's presence in cotton producing region results in benefit derived from lower logistics expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective price and consistent demand for finished goods resulting in sustainable revenue visibility.

Fiscal benefits from the Government

TCPL is eligible to receive various fiscal benefits from government in terms of capital subsidy, interest subsidy, power tariff subsidy and other benefits under Technology Up-gradation Funds (TUF) scheme.

Key Rating Weaknesses

Susceptibility of profit margins to volatility in raw material price and seasonality associated with cotton industry

Operations of cotton business are seasonal in nature, as sowing season is done during March to July and harvesting cycle (peak season) is spread from November to February every year. Prices of raw material i.e. cotton bales are highly volatile in nature and depend upon factors like monsoon condition, area under production, yield for the year, international demand supply scenario, export policy decided by government and inventory carried forward of last year. This in turn also affects demand for cotton yarn.

Presence in highly fragmented and competitive cotton yarn industry

TCPL operates in highly fragmented and unorganized market of spinning industry marked by presence of large number of small-sized players. The industry is characterized by low entry barrier due to easy access to customers and suppliers along with raw material from nearby location.

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

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](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Criteria for Short Term Instruments](#)

About the company

Amreli (Gujarat)-based, TCPL is a private limited company incorporated during July 2015 by Mr. MaganbhaiParvadiya, Mr. ChandubhaiParvadiya, Mr. KamleshbhaiBokarvadiya, Mr. KantilalBokarvadiya, Mr. JagdishbhaiFinava, Mr. PravinbhaiFinava and Mrs. GitabenFinava. TCPL is into business of cotton spinning and operates with an installed capacity of 4889 MTPA of cotton yarn with 30s count. The company started its operations from April 2017. Promoters of TCPL are also directors/ promoters in their group entities namely Gujarat Ginning & Oil Industries (rated CARE B+), Gujarat Hy-Spin Private Limited (rated CARE BB-/ CARE A4), Shree Umiya Cotton Ginning & Pressing Private Limited, VinayakCottex, Everest Cotton, Avani Enterprise, Red Corner, Shree Umiya Trading Co, Bajrang Cotton, Anjani Industries and Ramdoot Industries.

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: MrChintanSoni

Tel: (079) 40265634

Mobile: +91-8511190016

Email: chintan.soni@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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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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-Cash Credit	-	-	-	5.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	3.00	CARE A4
Fund-based - LT-Term Loan	-	-	March, 2026	34.25	CARE BB-; Stable

Annexure 2: Rating History for 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-Cash Credit	LT	5.00	CARE BB-; Stable	-	1)CARE B+ (21-Sep-16)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A4	-	1)CARE A4 (21-Sep-16)	-	-
3.	Fund-based - LT-Term Loan	LT	34.25	CARE BB-; Stable	-	1)CARE B+ (21-Sep-16)	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 9198190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 9198196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 9199675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 9198209 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, PashupatiAkshatHeights, Plot No. D-91,
 Madho Singh Road, NearCollectorateCircle,
 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 KumarSenate,
 Plot No. 970, Bhamburda, SenapatiBapat Road,
 ShivajiNagar, 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