



Rating Rationale

Gajanand Cottex Pvt Ltd

October 12, 2017

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 11.25 Crs of M/s Gajanand Cottex Pvt Ltd

Particulars:

Facilities Rated	Amount (Rs. Crs)	Tenure	Rating *
Fund Based	11.25	Long Term	BWR B+ (Pronounced BWR Single B Plus) (Outlook: Stable)
Cash Credit	11.25		
Total	11.25	INR 11.25 Crores (INR Eleven Crores and Twenty Five Lakhs Only)	

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has essentially relied upon the Company's audited financial results of FY16, projections financial statement of FY 17, publicly available information and the information/clarifications provided by the Company.

The ratings draw strength from the adequate experience of the promoters in the business, an increasing trend in revenues and locational advantage of being in a cotton growing area of Gujarat. The ratings are however constrained by low level of operations, thin profit margins, vulnerability of margins to volatility in raw material prices and the company's presence in a highly fragmented and competitive cotton industry.

The ability of the company to increase the scale of operations and margins will be the key rating sensitive.

Key Rating Drivers:

The promoter have adequate experience in the business with Mr Ashok B Monasara having an experience of 17 years in similar line of business.

Relatively low scale of operations with a revenue of Rs.73.96 Crs in FY 17, though the same has increased marginally from Rs.71.59 Crs in FY16

Profitability continues to be low, though the same has improved in FY17 with NPM increasing to 0.12 (FY17) from 0.08 in FY16. Interest coverage ratio is moderate at 1.32(FY 16) and liquidity is satisfactory with current ratio at 1.75.

Analytical Approach: BWR has factored in the rating criteria used has been mentioned in the

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hyperlinks given below for reference.

Rating Outlook: Stable

BWR believes that Gajanand Cotex Pvt Ltd.’s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company:

GCPL incorporated in the year 2009, is promoted by Ashok B Monsara. The company is involved in the business of ginning & pressing of cotton. The company’s manufacturing plant is located at Jasdian region in Gujarat which is one of the leading cotton producing states in India. The company has an installed capacity of 37 MTPD of cotton bales and 69MTPD of cotton seeds.

Company’s Financial Performance:

Key Financial Figures			
Particulars	Unit	FY16	Provisional FY17
Operating Income	Rs. Crores	71.59	73.96
EBITDA	Rs. Crores	1.06	1.03
PAT	Rs. Crores	0.08	0.12
Tangible Net worth	Rs. Crores	3.94	4.06
TOL :TNW	Times	1.91	0,97
Current Ratio	Times	1.75	2.35

Rating History for the last three years:

Sl. No.	Facility	Current Rating (July 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1.	Cash Credit	Long Term	11.25	BWR B+	NA	NA	NA
Total			Rs 11.25 crores (INR Eleven Crores and Twenty Five Lakhs Only.)				

Hyperlink/Reference to Applicable Criteria:

- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [General Criteria](#)



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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