

Rating Rationale

Glossy Cotex

20 Dec 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Glossy Cotex. ('GC' or 'The firm')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (27 Apr 2017)	Present
Fund based	41.76	40.42	Long Term	BWR BB- (Pronounced as BWR double B minus) (Outlook: Stable)	BWR BB- (Pronounced as BWR double B minus) (Outlook: Stable) [Reaffirmed]
Non Fund Based	0.25	0.25	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) [Reaffirmed]
Total	42.01	40.67	Rupees Forty Crores and Sixty Seven Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for a definition of the ratings.
Complete details of Bank facilities are provided in Annexure-I

Rationale/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results of FY16, FY17 & FY18, financial projections of FY19 & FY20, publicly available information and clarifications/information provided by the partners.

The rating draws strength from the vast experience of the partners in the cotton industry, comfortable debt protection metrics, liquidity position and the locational advantages to the firm. The ratings are, however, constrained by low profitability, high gearing, a high degree of competition and fragmentation exert pressure on margins and inherent risk associated with the partnership constitution. The rating also takes into account the vulnerability of the firm's profitability to the adverse movements in raw cotton prices (governed by international factors) as well as domestic agro climatic conditions.

The ability of the firm to achieve the projections, improve the profitability, the gearing, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.

Key Rating Drivers:

Credit Strengths:

- The vast experience of the partners in the cotton industry.
- ISCR & DSCR are moderate at 1.28x and 1.03x respectively in FY18.
- Liquidity position is comfortable with the Current Ratio at 1.37x in FY18.
- The locational advantages to the firm, by virtue of its location in the cotton-producing belts of Gujarat.

Credit risks:

- The profitability is low.
- Gearing is at higher side. Total Debt/TNW stood at 4.85x in FY18 against 4.45x in FY17.
- High degree of competition and fragmentation exert pressure on margins.
- The vulnerability of the firm's profitability to the adverse movements in raw cotton prices (governed by international factors) as well as domestic agro climatic conditions.
- Inherent risk associated with the partnership constitution.
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Liquidity Position:

The liquidity position of the firm is comfortable as on 31.03.18. The firm has adequate sanctioned credit facility to manage the operations.

Analytical Approach:

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Glossy Cotex**'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 Firm:

Glossy Cotex was incorporated as a partnership firm in April 2013 by six partners. Partners are having around 15 years of experience in the line of activity. The unit is engaged into ginning & pressing of cotton. The firm's facility is located in Wankaner Gujarat. The processing unit has a total of 96 ginning machines, on a land of 16,895 sq. m., with a production capacity of 800 bales/day. Its main raw material is sankar 6, which is available in abundance in Gujarat and is one of the best quality cotton available.

Firm Financial Performance:

The firm has recorded a TOI of Rs. 526.08 Crs in FY18 Vs. Rs. 343.69 Crs in FY17 and a PAT of Rs. 0.84 Crs in FY18 against a PAT of Rs. 0.62 Crs in FY17.

Rating History for the last three years:

Sl. No.	Instrument /Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating**	27 Apr 2017	31 Dec 2016	05 Aug 2015
1	Fund Based	Long Term	40.42	BWR BB- (Outlook: Stable) [Reaffirmed]	BWR BB- (Outlook: Stable)	Rating Not Reviewed	BWR BB- (Outlook: Stable)
2	Non-Fund Based	Short Term	0.25	BWR A4 [Reaffirmed]	BWR A4	Rating Not Reviewed	BWR A4
Total: Rs. 40.67 Crs (Rupees Forty Crores and Sixty Seven Lakhs Only)							

**The rating was migrated to Rating Not Reviewed category on 07-Aug-2018.

Status of non-cooperation with Previous CRA: NA

Any other information

Key Financial Indicators

Key Financial Figures			
Particulars	Unit	FY18 (Audited)	FY17 (Audited)
Operating Income	Rs. Crores	526.08	343.69
EBITDA	Rs. Crores	5.15	4.97
PAT	Rs. Crores	0.84	0.62
Tangible Net Worth	Rs. Crores	11.46	11.02
Total Debt	Rs. Crores	55.60	49.05
Total Debt : Equity	Times	4.85	4.45
Current Ratio	Times	1.37	1.30

Glossy Cotex

Bank Facilities

Annexure - I

Facility	Tenure	Previous Amount	Present Amount
		(₹ Cr)	(₹ Cr)
Cash Credit	Long Term	40.00	40.00
Sub Limit: Cash Credit EPC/PCFC/FBP/FCBP/FBD/FCBD		(15.00)	(20.00)
Term Loan		1.76	0.42
Derivative (Forward Contracts - Export)	Short Term	0.25	0.25
TOTAL		42.01	40.67

Hyperlink/Reference to applicable Criteria

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

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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

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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