



Rating Rationale

Govind Fibres

9 Apr 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.00 Crores of Govind Fibres.

Particulars

Issue	Present Amount Rated (₹ Crs)	Tenure	Rating Recommended
Fund Based Cash Credit	6.00	Long Term	BWR B (Pronounced as BWR Single B) (Outlook: Stable)
Total	6.00	INR Six Crores Only	

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

Rating under Credit Watch with Positive

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating assigned to the bank facilities of Govinda Fibres continues to be tempered by short track record and small scale of operations, highly fragmented industry and regulated by the government, operating margins susceptible to cotton price fluctuations and seasonality associated with the cotton industry. leveraged capital structure and weak debt coverage indicators albeit marginal improvement. The rating also factors in an increase in total operating income during FY18. The rating is, however, underpinned by the experience of partners in the cotton processing business.

Going forward, the ability of the firm to increase its scale of operations and profitability margins in a competitive environment, improve its capital structure and manage working capital requirements efficiently would be the key rating sensitivities.

Credit strengths

- Extensive experience of the partners in the cotton ginning industry
- Locational advantage by virtue of proximity to availability to raw materials

Credit weaknesses

- Highly fragmented industry structure due to the presence of a large number of manufacturers and traders; low-entry barriers result in high competition



Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Govind Fibres** 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

Govinda Fibres was Established in 2014 as a partnership firm, Govinda Fibres is involved in the business of raw cotton ginning, pressing and crushing of cottonseeds. Govinda Fibres manufacturing facility, located at Chevella(v), Alladurg (d) in Telangana, is equipped with 32 ginning machines, 1 pressing machine and 10 expellers for crushing activity with an installed ginning capacity of 120000 MT per annum. The partners of the firm have extensive experience in the cotton industry vide their association with other cotton ginning entities.

Company Financial Performance

(Financial information of latest two financial years to be given along with key performance indicators)

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	31.98	36.13
EBITDA	₹ Cr	1.11	1.31
PAT	₹ Cr	0.12	0.19
Tangible Net worth	₹ Cr	3.53	3.13
Total Debt/Tangible Net worth	Times	1.80	2.41
Current Ratio	Times	1.29	1.24



Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
1	Fund Based Cash Credit	Long Term	6.00	BWR B (Pronounced as BWR Single B) (Outlook: Stable)	Nil		
	Total		6.00	₹ Six Crores Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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