

Press Release

Gopinath Spinning Private Limited



15 January, 2018

Rating Upgraded, Withdrawn and Assigned

Total Bank Facilities Rated*	9.05 Cr.
Long Term Rating	SMERA B-/Stable (Upgraded from SMERA D)
Short Term Rating	SMERA A4 (Upgraded from SMERA D)

*Refer Annexure for details

SMERA has upgraded the long term rating on the Rs 8.05 crore bank facilities of Gopinath Spinning Private Limited (GSPL) to '**SMERA B-**' (read as **SMERA B minus**) and short term rating to '**SMERA A4**' (read as **SMERA A four**) from '**SMERA D**'. SMERA has assigned long term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 1.00 crore bank facility of GSPL. Further, SMERA has also withdrawn the long term rating of '**SMERA D**' on the Rs. 3.00 crore bank facility. The outlook is '**Stable**'.

The upgrade is in view of the default being cured by the company as on December 2017.

GSPL, incorporated in 2003 is a Vadodara-based company promoted by Mr. Yoginkumar Patel. The company manufactures combed and blended yarn of counts ranging from Ne 24s to Ne 80s at Gujarat and has installed capacity of 19000 spindles per annum. The day-to-day operations are led by Mr. Kamlesh Patel, Managing Director.

Strengths

Curing of default

The company has cured the default and debt servicing is on time. No instance of overdrawing in the working capital borrowing has been observed for the last six months ended December 2017.

Experienced management

Mr. Yoginkumar Patel and Mr. Kamlesh Patel are in the said line of business for more than a decade.

Weaknesses

Uneven revenues

The company has shown uneven trend in revenues during the period FY2015 to FY2017 because of low demand. The revenue stood at Rs. 27.88 crore in FY2017 as against Rs. 46.38 crore in FY2016 and Rs.28.36 crores in FY2015. Further, the company registered revenue of Rs.8.36 crore for the period April to November 2017. Revenue in FY2016 increased because the company began exports to South Africa. However, the business was not very profitable and hence exports were stopped from FY2017.

Uneven profitability margins

The profitability margins were inconsistent from FY2015 to FY2017. The EBITDA margin stood at 0.32 percent in FY2017 as against 3.85 percent in FY2016 and 2.40 percent in FY2015 mainly on account of increase in raw material prices. The company suffered losses in FY2017 and FY2016.

Below average financial risk profile

The company has weak financial risk profile marked by net worth of Rs. 16.81 crore as on 31 March, 2017 as against Rs. 11.30 crore as on 31 March, 2016 due to accumulated losses. The total debt of Rs. 7.76 crore outstanding as on 31 March, 2017 includes working capital borrowing from the bank. The gearing stood at 0.46 times as on 31 March, 2017 as against 1.00 time as on 31 March, 2016. The Interest coverage Ratio and DSCR stood below average at 0.31 times and 0.18 times respectively in FY2017.

Working capital intensive operations

The company has working capital intensive operations. The working capital has been uneven during FY2015-FY2017. The GCA days stood at 232 in FY2017 as against 132 in FY2016 and 303 in FY2015 majorly on account of increase in inventory holding period to 121 days in FY2017 from 49 days in FY2016. The company was not able to sell its stock due to a sluggish market. The debtor days stood at 99 in FY2017 as against 78 in FY2016 and 121 in FY2015. The company received extended credit period of ~150 days which moderates the working capital requirements. The average bank limit utilisation stood at ~80 percent for the last six months ended December, 2017.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of GSPL to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Outlook – Stable

SMERA believes that GSPL will maintain a Stable outlook and continue to benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in profit margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profit margins or deterioration in the capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	27.88	46.38	28.36
EBITDA	Rs. Cr.	0.32	3.85	2.40
PAT	Rs. Cr.	(2.80)	0.08	(0.67)
EBITDA Margin (%)	(%)	1.16	8.29	8.46
PAT Margin (%)	(%)	(10.06)	0.18	(2.36)
ROCE (%)	(%)	(5.10)	9.35	3.31
Total Debt/Tangible Net Worth	Times	0.46	1.00	0.93
PBDIT/Interest	Times	0.31	1.81	1.65
Total Debt/PBDIT	Times	15.45	2.86	4.98
Gross Current Assets (Days)	Days	232	132	303

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Oct-2016	Cash Credit	Long Term	5.00	SMERA D (Downgraded from SMERA C)
	Term loan	Long Term	3.00	SMERA D (Downgraded from SMERA C)
	Bank Guarantee	Short Term	1.05	SMERA D (Downgraded from SMERA A4)
16-Nov-2015	Cash Credit	Long Term	5.00	SMERA C (Assigned)
	Term loan	Long Term	3.00	SMERA C (Assigned)
	Bank Guarantee	Short Term	1.05	SMERA A4 (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00* (Enhanced from Rs. 5.00 Crore)	SMERA B-/Stable (Upgraded from SMERA D)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.05	SMERA A4 (Upgraded from SMERA D)
Term loan	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA D (Withdrawn)
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	1.00#	SMERA B-/Stable (Assigned)

*Includes sublimit of Rs. 5.00 crores as PC/FBP/FBD

#Includes sublimit of Rs. 1.00 crore as LC

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ABOUT SMERA

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