

Rajsamadhiyala Spintex Private Limited

Instrument	Amount Rated	Rating Action
Term Loan	Rs 62.00 crore*	[ICRA]B reaffirmed
Cash Credit	Rs 10.00 crore**	[ICRA]B reaffirmed
Bank Guarantee	Rs 3.50 crore	[ICRA]A4 reaffirmed
Derivative forward Contract/CEL	Rs 0.40 crore	[ICRA]A4 reaffirmed

* including sublimit of term loan comprising of one time FLC/ILC for purchase of capital goods

**sub limit of Cash credit comprising of one time FLC/ILC

ICRA has reaffirmed the [ICRA]B (pronounced ICRA B) rating to the Rs. 10.00 crore cash credit facility and Rs. 62.00 crore term loan facility of Rajsamadhiyala Spintex Private Limited (RSPL)[†]. A rating of [ICRA]A4 (pronounced ICRA A four) has also been reaffirmed to the Rs. 3.90 crore short term non fund based facilities of RSPL.

The reaffirmation of rating continues to factor in the limited track record of operations and the highly competitive business environment given the fragmented nature of cotton industry thus limiting the company's ability to fully pass on the increase in raw material prices and vulnerability of profitability to unexpected movement in cotton prices which are in turn subject to seasonality and crop harvest. ICRA further notes the debt funded capital expenditure undertaken by the company and high working capital intensity of operations is expected to keep the capital structure and credit metrics stretched in near term. Also slump in demand from yarn importing countries especially China in addition to oversupply in domestic market is likely to put pressure on margins of yarn manufacturers.

The rating, however, positively considers the experience of the promoters in the cotton industry through associate concerns and easy availability of raw material by virtue of its favorable location. The rating also favorably takes into account various fiscal benefits in terms of interest subsidy and subsidized power tariffs and refund of VAT which may result in relatively comfortable margins.

Company Profile

Rajsamadhiyala Spintex Private Limited (RSPL) was incorporated in July 2013 by Mr. Nitin Sudani along with other directors. Rajsamadhiyala Spintex Pvt. Ltd. (RSPL) is engaged into business of spinning of cotton yarn having installed capacity of manufacturing 6600 MTPA of 30s and 40s combed hosiery yarn by utilizing 29184 spindles. The manufacturing facility is located at Samadhiyala, Dist. Rajkot, Gujarat.

Recent Results

In FY16, for first seven months of operations the company has reported an operating income of Rs. 32.60 crore and net profit (before depreciation and tax) of Rs. 1.53 crore as per the provisional financial statement.

February 2016

* 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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