

Gomatha Cotton Industries

Instruments	Amount In Rs. Crore ¹	Rating Action
LT – Fund based Facilities	10.00	[ICRA]B (outstanding)
LT-Fund based facilities (enhanced limits)	2.00	[ICRA]B (Assigned)

ICRA has assigned long-term rating of [ICRA]B (pronounced ICRA B) to the Rs 2.00 Crore enhanced fund based facilities of Gomatha Cotton Industries (GCI/"The firm")². ICRA also has a long-term rating outstanding of [ICRA]B (pronounced ICRA B) for the Rs 10.00 Crore fund based facilities of the firm.

The assigned rating is constrained by the project implementation risk associated with ginning mill construction with commercial operations expected to start from October 2016; highly competitive cotton ginning business given the fragmented nature of industry structure owing to low entry barriers and the vulnerability of firm's profitability to raw material prices, which are subject to seasonality, crop harvest and regulatory risk. The ratings also consider the risks arising from partnership nature of the firm including capital withdrawals. However the rating takes comfort from the prior experience of partners in the cotton industry and locational advantages the firm enjoys due to proximity to cotton growing areas of Telangana.

The ability to implement the project without any time & cost overruns and ability to ramp up operations will remain key rating sensitivities.

Firm Profile

Gomatha Cotton Industries (GCI) is a partnership firm set up in April 2016 by Mr Gunda Srinivas and Mr Gourishetty Srinivas along with 13 other partners. The firm is planning to set up cotton ginning and pressing unit in Husnabad, Karimnagar with 44 ginning machines for producing cotton bales. The partners of the firm have prior experience in the cotton ginning industry and have planned to set up their own ginning unit. The Rs 9.51 Crore project will be funded by Rs 5 Crore partner's capital and Rs 4 Crore term loans.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

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