

January 13, 2017

Golden Fibres LLP

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund Based Limits	82.00	[ICRA]BB-(Stable) / Assigned
Non Fund Based Limit	10.00	[ICRA]A4 / Assigned
Total	92.00	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has assigned a long-term rating of [ICRA]BB- (pronounced ICRA double B minus) and a short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs.92.00 crore¹ bank facilities of Golden Fibres LLP (GFL or 'the firm')². The outlook assigned on the long-term rating is 'Stable'.

Rationale

The assigned ratings take into consideration the long standing experience of the promoters in the textile spinning industry. ICRA notes the favourable demand scenario of linen yarn in the domestic market as majority of the demand at present is met through imports, and the benefits arising from the various fiscal incentives extended to new spinning units by the Government of Maharashtra.

However, the ratings are constrained by the nascent stage of operations, with commercial operations beginning from August 2016. The ratings are subject to stabilization of operations with profitable scale up to support significant debt repayments scheduled in future and efficient management of working capital, given the seasonal nature of the raw material. Furthermore, the profitability is vulnerable to the adverse movements in raw material prices, which are subject to seasonality, crop harvest and Government regulations. The profitability of the firm will also be exposed to foreign exchange fluctuations since the entire procurement of raw materials is dependent on import, with off-take primarily planned in the domestic market.

Going forward, the ability of the company to establish a market for its products and scale up its operations in a profitable manner amidst intense competition primarily from imports will be the key rating sensitivities.

Key rating drivers

Credit Strengths

- Long standing experience of promoters in the textile spinning industry, as well as synergies as part of reputed textile companies;
- Favourable demand scenario of linen yarn in the domestic market, as most of the demand is met through imports at present;
- Fiscal benefits available to new spinning units are likely to support profitability, going forward.

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

Credit Weakness

- Limited track record of operations, with start of commercial operations from August 2016;
- Stabilization of operations, with profitable scaling up is critical, given the significant debt repayments from FY 2019 onwards;
- Working capital intensive nature of operations due to high inventory levels following seasonal availability of flax fibre;
- Vulnerability of profitability to adverse fluctuations in flax fibre prices due to seasonality, crop harvest and Government regulations;
- Profitability exposed to foreign exchange fluctuations since entire procurement of raw material is dependent on import, while sales is primarily focussed on the domestic market.

Sensitivities

- ① Ability of the firm to scale up its operations in a profitable manner;
- ① Market acceptance and favourable demand scenario of linen in domestic market.

Description of key rating drivers highlighted above

GFL started its production from August 2016 and thus the operations are in a nascent stage. The production capacity utilisation has remained low so far in FY2017, which is its first year of operations. The company is expected to increase its capacity utilisation to 75% in FY2018, and the management expects the capacity utilization to increase year-on-year.

The firm has been sanctioned a term loan of Rs. 67.00 crore and the principal repayment will start from June 2018 and end in March 2023. Thus, the stabilization of operations till FY2019 is a key rating sensitivity, given that substantial debt repayments are scheduled in the next five years.

The firm plans to import its entire raw material requirement from France and Belgium. The working capital intensity of the business is expected to be high due to high holding period as the raw material is seasonal in nature and the firm is expected to store the raw materials during off season. The profitability will remain vulnerable to fluctuations in the prices of flax fibre, due to the seasonality in the harvest of the crop. Furthermore, as the entire raw material requirement is imported and GFL plans to sell its products majorly in the domestic market, the profitability is also vulnerable to fluctuations in foreign exchange rates.

Analytical approach

For arriving at the ratings, ICRA has considered the different risks associated with a project based company, given its recent commercial operations along with future prospects. The firm doesn't have any subsidiary and operates as a standalone entity.

Links to applicable Criteria

Corporate Credit Rating – A Note on Methodology
Rating Methodology for Textiles (Spinning)

About the Company

Golden Fibres LLP (GFL) was established as a Limited Liability Partnership firm in December 2014 with Mr. Anurag Poddar and Mr. Arvind Biyani as the partners. The firm has set up a unit at Amravati (in Maharashtra) for manufacturing linen yarn with an installed capacity of 6,400 spindles. The plant's production capacity is around 1,400 tonnes per annum. The company started operations since August 2016. GFL's registered office is in Mumbai.

Mr. Arvind Biyani is the main promoter of Shri Damodar Yarn Manufacturing Private Limited (rated [ICRA]BBB-(Stable)/[ICRA]A3). Having been in the industry for more than three decades, he has wide experience in the textiles industry, especially in spinning units.



Mr. Anurag Poddar is serving as a whole-time Director of Balkrishna Paper Mills Limited. He is the son of Mr. Pawan Poddar, the Joint Managing Director of Siyaram Silk Mills Limited. Siyaram Silk Mills Limited is a reputed player in the textile industry with a presence of 37 years.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Table: Rating History

S. No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years
		Type	Rated amount (Rs. crore)	Month-year & Rating	
				January 2017	Not applicable
1	Cash Credit	Long-term	15.00	[ICRA]BB-(Stable)	
2	Term loan	Long-term	67.00		
3	Letter of Credit	Short-term	10.00	[ICRA]A4	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	15.00	[ICRA]BB-(Stable)
Term Loan	December 2015	-	March 2023	67.00	[ICRA]BB-(Stable)
Letter of Credit	-	-	-	10.00	[ICRA]A4

Source: Golden Fibres LLP

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