

Rating Rationale

Brickwork Ratings Reaffirms 'BWR BB' Rating for the Bank Loan Facilities aggregating ₹ 40.71 Cr of AB Cotspin India Ltd, Bathinda.

Brickwork Ratings (BWR) has *reaffirmed* the **Rating¹** for the Bank Loan Facilities of AB Cotspin India Ltd ('ACIL' or the 'Company'), Bathinda, as follows:

Facility	Previous Amount (₹ Cr)	Rating Amount (₹ Cr)	Tenure	Rating History	Ratings after review ¹
Fund Based Cash Credit	15.00	18.00	Long Term	BWR BB (BWR Double B)	BWR BB (BWR Double B)
Term Loans/FLG/Buyer's Credit	28.06	22.71		Outlook: Stable March 2015	Outlook: Stable (Reaffirmed)
Total	43.06	40.71	INR Forty Crores & Seventy One Lakhs only		

BWR has essentially relied upon the audited financial results up to FY15, projected financials up to FY16, publicly available information and information/clarifications provided by the Company.

The ratings continue to draw comfort from the extensive experience of the promoters in the industry, integrated nature of its operations, strategic location of the plant considering easy availability of raw cotton, sustained operating margins, significant business synergy and group support. The rating is, however, constrained by decrease in topline, working capital nature of operations, below average financial risk profile of the company marked by low profitability and high gearing and exposure to risks arising from the volatility in raw cotton prices.

Background:

Originally incorporated in 1997 as Ganga Cottex Ltd, the company was subsequently acquired by A B Cotspin India Ltd in Oct 2010. Based in Bathinda, Punjab, ACIL is engaged in the manufacturing of cotton yarn and cloth. It is also engaged in the trading of allied products such as cotton seed, cotton seed cake etc. ACIL's manufacturing facility is located at Faridkot, Bathinda. ACIL has installed 24 ginning machines with a capacity of 200 bales per day, 18000 spindles with a capacity of 17MT of yarn per day and 6 circular knitting machines with a capacity of 3000kg of cloth per day.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Profile:

Homeland Group comprises diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc. The company is promoted by Mr. Rahul Goyal and Mr. Piyush Kansal. Most of the Companies under the Homeland Group are led directly by their family members.

Financial Performance:

Total Operating Income declined from Rs. 99.90 Crs in FY14 to Rs. 78.76 Crs in FY15. ACIL reported PAT of Rs. 0.50 Cr in FY15 as against Rs. 0.47 Cr in FY14. Tangible Networth of the company stood at Rs. 14.36 Crs in FY15.

Rating Outlook

ACIL is a fully integrated manufacturer and exporter of cotton yarn, cloth & other allied products. During FY15, there were no changes in the existing installed capacity and its utilization level remained almost the same compared to last year.

The rating outlook is expected to remain stable over the current year. Going forward, the ability of the company to improve its top line and profits amidst volatility in the raw cotton prices & high interest expenses, strengthen its capital structure and manage its working capital efficiently shall be the key rating sensitivities.

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