

Rating Rationale

Brickwork Ratings assigns ‘BWR BB’ for the Bank Loan Facilities aggregating ₹43.06 Cr of AB Cotspin India Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan Facilities of AB Cotspin India Ltd (‘ACIL’ or ‘the Company’):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based			
Cash Credit	15.00	Long Term	BWR BB <i>(Pronounced BWR Double B)</i> (Outlook: Stable)
Term Loan/FLG/Buyer’s Credit	28.06		
Total	43.06	INR Forty Three Crores & Six Lakhs Only	

BWR has principally relied upon the audited financial statements up to FY14, projections upto FY16, publicly available information and information/clarifications provided by the company's management.

The rating assigned derive comfort from the strong support of the Bathinda based Homeland Group of companies in view of commonality of management and significant business synergies, fully integrated nature of operations and strategic location of the plant. The ratings are, however, constrained by the short track record of operations, below average financial risk profile of the company marked by low profitability and high gearing, exposure to risks arising from the volatility in raw cotton prices and agro climatic conditions, presence in a highly competitive and fragmented industry and working capital intensive nature of operations.

Background:

Originally incorporated in 1997 as M/s 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 of 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 of the Company has increased from ₹ 86.66 Cr in FY13 to ₹ 99.90 Cr in FY 14. ACIL has reported PAT of ₹ 0.47 Cr for FY14 as compared to ₹ 0.35 Cr for FY13. The Company expects to achieve a total turnover of Rs. 107.70 Cr in FY15.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward the Company's ability to sustain its revenue growth, improve its profitability amidst volatility in the raw cotton prices, strengthen its capital structure, manage its working capital efficiently and ensure continued funding support from promoters and the group companies shall be the key rating sensitivities.

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