



## Rating Rationale

### Ahuja Cotspin Pvt Ltd

19 May 2017

**Brickwork ratings reaffirms the ratings for the bank loan facilities of Ahuja Cotspin Pvt Ltd.**

#### Particulars

Facility Rated	Amount (Rs. Cr)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based Cash credit Term loan	89.69 105.24	134.65 85.85	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable (Reaffirmed)
<b>Total</b>	<b>194.89</b>	<b>220.50</b>	<b>INR Two Hundred Twenty Crores and Fifty Lakhs Only.</b>		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rating Reaffirmed

##### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16, provisional financial data for FY17, financial projections for FY18 & FY19, publicly available information and information/clarifications provided by the company.

The rating draws strength from the experienced and strong management, established track record of the company, established relationships with a diversified base of customers, improvement in the total operating income along with healthy profit margins, moderate debt protection metrics and completion of its capacity enhancement program during FY17. The ratings are, however, constrained by high gearing levels, constrained liquidity position on account of elongated credit period extended to customers, working capital intensive operations and stiff competition in the sector. Going forward the ability of the company to increase its operating income along with higher profit margins, improve its capital structure, manage working capital efficiently to ensure adequate liquidity position shall remain key rating monitorables.

#### Rating Outlook: Stable

BWR believes that Ahuja Cotspin Pvt Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show



sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company:

Ahuja Cotspin Private Limited was incorporated in 2010 at Ludhiana and is promoted by Mr. Gulshan Ahuja and Mr. Ashok Ahuja. ACPL is engaged in the manufacturing of open ended yarn on rotors system, cotton yarn on ring spinning system and knitted cloth. It has installed capacity of 14,400 spindles, 2880 Rotors and 17 knitting machines. The company has successfully installed an additional 14,400 ring frame spindles making the total to 28,800 ring frame spindles. The company has initially planned to complete the capacity expansion program by May 2016 but it has been delayed by over 10 months. The company sources its raw material from the local market. The key management personnel are Mr. Gulshan Ahuja (Chairman, Mr. Ashok Ahuja (Director), Mr. Vishal Ahuja (Director).

### Company Financial Performance

As per FY17 Provisionals, ACPL reported Total Operating Income of Rs. 281.07 Cr in FY17, as against Rs. 252.91 Cr in FY16. Net Margin was 1.71 % for FY17 as against 1.57 % in FY16.

### Rating History for the last three years:

Sl. No.	Facility	Current Rating (January 2017)			Rating History		
		Type	Amount (Rs Cr)	Rating	2016	2015	2014
1	Cash Credit	Long Term	134.65	BWR BBB Outlook:stable	BWR BBB Outlook: stable	NA	NA
2	Term Loan	Short Term	85.85			NA	NA

### Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

Analytical Contacts	Media
Ashwini Mital Sr. General Manager, Ratings <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	<b>Relationship Contact</b> <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	



#### **For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

#### **Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

#### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.