Rating Rationale

Ahuja Cotspin Pvt. Ltd.

31 March 2018

Brickwork Ratings revises rating* for the Bank Loan Facilities amounting to Rs. 216.58 Crs of Ahuja Cotspin Pvt. Ltd.

Particulars:

Issue	Amount Rated (Rs. Cr)		Tenure	Rating History	Rating
	Previous	Present		May 2017	
Fund Based	220.5	216.58	Long Term	BWR BBB (Outlook Stable)	BWR BBB+ (Pronounced as BWR Triple B Plus)/Outlook: Stable Upgrade
Total	220.5	216.58	(INR Two Hundred Sixteen crores and Fifty Eight Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY17, Provisional Financial for 15 December 2018, publicly available information and information/clarifications provided by the company.

The rating's upgrade takes into account the experienced and resourceful promoters, established track record, consistent growth in revenue & net-worth, capacity enhancement, diverse product portfolio, systematic procurement and distribution channel, established client relationship and tie-ups with its suppliers. However, ratings are constrained by high inventory holding levels due to seasonal availability of cotton, high competition driven by fragmented nature of industry and inherent risks-Sensitivity to the changes in government policies and environmental conditions.

Going forward, the ability of the company to scale up its operations on a sustained basis and improvement in profit margins will be the key rating sensitivities.

Key Rating Drivers:

Improved Financial Performance: The company's revenue increased by ~25.5% in FY17 as compared to FY16 . Gearing level of the company has declined in FY17 on account of increase in networth owing to capital infusion and accumulated profits. Also, there is slight improvement in debt protection metrics due to better cash accruals.

Implementation of Capacity Expansion: The company has completed its round of capacity expansion-installation of 14400 spindles. Reportedly, Commercial production from the additional capacity started in September, 2016.

Volatile Cotton Prices: The company is cotton yarn manufacturer and exporter and thus any volatility in the cotton prices may have an upside/downside impact on the company's profitability.

Exposure to intense competition in the textile industry: The yarn industry is largely unorganised with various players having small capacity. In addition, the entry barriers are low on account of low capital and technology intensity and low differentiation in end product. This has led to a highly-fragmented industry structure with intense competition amongst the players, leading to limited pricing power.

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 company is able to improve its scale of operations and profit margins. The rating outlook may be revised to 'Negative' if the scale of operations deteriorates.

About the Company:

Ahuja Cotspin Private Limited (ACPL) was incorporated in 2010 at Ludhiana. It commenced its commercial operations in Aug 2011. The Company is engaged in manufacturing of cotton yarn on Ring Spinning System, knitted cloth & open end yarn on Rotors system. Prior to entering into manufacturing yarn the promoters of the company were doing trading business in cotton yarn. ACPL manufacturing facilitys are located at Ludhiana- Village Bhattian &Village Lakhowal Kalan, Kohara Express Highway Machhiwara, Punjab. The company is having installed capacity of 28800 spindles (including 14400 spindles added in FY17 and commenced operations in September 2016), 2,880 rotors and with machines like Blow room, Comber, Draw frame, Speed frame, Ring frame, Auto corner & Yarn conditioning. The Company is promoted by Mr. Gulshan Kumar Ahuja, Mr. Ashok Ahuja & his son Mr. Vishal Ahuja who have three decades & five years of experience in current line of business.

Company's Financial Performance:

Key Financial Figures			
Particulars	**Unit**	**FY16 (A)**	**FY17 (A)**
Operating Income	Rs. Crores	253.43	318.31
EBITDA	Rs. Crores	30.84	32.23
PAT	Rs. Crores	3.96	4.18
Tangible Networth	Rs. Crores	65.8	89.93
Total Debt	Rs. Crores	142.84	177.35
Total Debt : Equity	Times	2.17	1.97

Rating History for the last three years:

Sl. No.	Facility	Current Rating 2018			Rating History		
Facilities		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	216.58	BWR BBB+/Stable Upgrade	BWR BBB	NA	NA
Total			216.58	(INR Two Hundred Sixteen Crores and Fifty Eight Lakhs Only)			

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**

Analytical Contacts	Media
Satvinder Gakhar DGM - Ratings analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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For print and digital media

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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 Investors queries can be sent to 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

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