



Rating Rationale

Ambica Cotseeds Limited

1st June 2017

Brickwork Ratings assign the ratings for the Bank Loan Facilities of Rs 15.75 Crs (INR Fifteen Crores and Seventy Five Lakhs only) of Ambica Cotseeds Limited(ACL)

Particulars

Kind of Facility	Tenure	Ratings Limits (Rs In Crs)	Rating
Cash Credit	Long Term	15.00	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable
Fund Based		15.00	
Non Fund Based	Short Term	0.75	BWR A4 (Pronounced as BWR A four)
Total		15.75	INR Fifteen Crores and Seventy Five Lakhs only

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY 2016, provisional financials of FY 17 and projected financials of FY18, publically available information and clarifications/information provided by the company.

The rating factors, inter alia, the extensive experience of the promoters in cotton ginning and trading business, a healthy growth in revenues and favorable location of the company.

However the rating is constrained by company's financial risk profile marked by thin profitability which is inherent in the trading nature of business, stretched capital structure and weak coverage indicators. The ratings also incorporate the high competitive nature of industry and risks arising out of vulnerability of profitability to adverse fluctuation in forex rates due to export dominated sales; though the same is mitigated to the extent of hedging undertaken by the company.



Rating Outlook: Stable

BWR believes that **Ambica Cotseeds Limited'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 revenue and profit shows a sustainable 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

Mehsana based Ambica Cotseeds Ltd. is a closely held public limited company. ACL was incorporated in 2011, and promoted by Mr. Bharatbhai Patel & Mr. Vishnubhai Patel. ACL is engaged in cotton ginning and pressing and trading of cotton bales. The manufacturing facility has an installed capacity of ginning and pressing of 36500 MT/annum of cotton. During FY16, 90% of revenue was generated from cotton bales trading business while 10% of revenues was from cotton ginning and pressing.

The company has two associates; Vivekanand Industries and Vivekanand Cot Spin LLP.

Company Financial Performance

Total Operating Income has increased from Rs.97.72 Crs in FY15 to Rs.256.61 Crs in FY 16. Exports accounted for 95% of the sales. The company recorded aPAT of Rs 0.10 Crs in FY16.

As per the unaudited and provisional results for FY17, the Company has achieved a turnover of Rs 260.12 Crs and an EBIDTA of Rs 1.98 Crs.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount(RsCrs)	Rating	2016	2015	2014
1	Fund Based Cash Credit	Long Term	15.00	BWR B+ (Outlook : Stable) (Pronounced as BWR Single B Plus)	-		
2	Non Fund Based	Short Term	0.75	BWR A4 (Pronounced as BWR A Four)			



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Mr. Sunil Bharadwaj AGM - Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

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

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.