



Rating Rationale

Ambica Spintex Pvt. Ltd.

11Feb2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 36.78 Crores of Ambica Spintex Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	35.28	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
Non Fund Based	1.50	Short Term	BWR A4 (BWR A Four)
Total	36.78	INR Thirty Six Crores and Seventy Eight 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 company's audited financial results upto FY18, provisional financials of FY19(December) as well as publicly available information and the information/clarifications provided by the company.

Description of Key Rating Drivers

The Rating has factored in increase in scale of operations, adequate current ratio and locational advantage of the company. However, the rating is constrained by highly leveraged capital structure, strained debt protection metrics, vulnerable profit margins as well as fragmented and competitive nature of the cotton industry.

Going forward, company's ability to improve its profitability and manage its working capital remain as key rating sensitivity.



Credit Strengths:

- **Increase in scale of operations:** Total operating income has increased from Rs 22.03 Crs in FY17 to Rs 51.31 Crs in FY18. Further, the company has achieved operating income of Rs 43.84 Crs till 31st December FY19.
- **Adequate current ratio:** Current ratio is comfortable at 1.58 times in FY18 indicating adequate liquidity in the company.
- **Geographical advantage:** The manufacturing unit of the concern is located near the cotton producing belt of Gujarat which gives easy access to availability of raw material.

Credit Risks:

- **Highly leveraged capital structure:** As per scale of operations and level of debt, tangible networth is on a lower side at Rs 9.71 Crs as on 31st March 2018. The company is highly geared at 4.06 times in FY18 .
- **Strained debt protection metrics:** Both the debt protection metrics remained weak reflected by ISCR at 0.92 times and DSCR at 0.73 times as at the end of FY18 .
- Profitability remains vulnerable to fluctuations in raw material prices and regulatory guidelines. The profit margins are exposed to fluctuations in raw cotton prices, which depend on various factors such as seasonality, climatic conditions, global demand and supply situation and export policy.
- **Fragmented and competitive nature of industry:** There are high number of organized as well as unorganized players in the market. Hence, competition may have an adverse effect to the operating profit margin of the company and limits its bargaining power.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Ambica Spintex Pvt. Ltd.** 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

Ambica Spintex Pvt Ltd. (ASPL), is sabarkantha based company incorporated in the year 2013, promoted by Mr. Harsh Patel. The company is engaged in manufacturing of cotton yarn. The factory is located in Ahmedabad and has a spinning unit with 14,400 spindles. The production capacity of the factory is 2851 metric tonnes per annum of cotton yarn.



Company Financial Performance

The company has a total operating income of Rs 51.31 Crs in FY18 against Rs 22.03 Crs in FY17. Further, the company has achieved operating income of Rs 43.84 Crs till 31st December FY19. NPM and OPM were at 0.09% and 8.43% in FY18 respectively.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Fund Based	Long Term	35.28	BWR B+ (Pronounced as BWR Single B Plus) (Outlook:Stable)	NA	NA	NA
2.	Non Fund Based	Short Term	1.50	BWR A4 (BWR A Four)			
	Total		36.78	₹ Thirty Six Crores and Seventy Eight Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	51.31	22.03
EBITDA	₹ Cr	4.33	2.20
PAT	₹ Cr	(0.19)	0.05
Tangible Net worth	₹ Cr	9.71	9.68
Total Debt/Tangible Net worth	Times	4.06	3.82
Current Ratio	Times	1.58	1.73



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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