



Rating Rationale

Anand Cottginn Pvt. Ltd.

29 Jan 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 8.40 Crores of Anand Cottginn Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	8.40	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable
Total	8.40	INR Eight Crores Forty 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 relied upon the audited financials upto FY18 and projected financials upto FY21 and publicly available information and information / clarifications provided by the Entity's management.

The rating draws strength from the long track record of the promoters in the cotton ginning industry, implementation of project on timely schedule and strategic location of the Cotton pressing unit. The rating is however constrained by moderately leveraged capital structure. The rating is further constrained on account of operating margins susceptible to cotton price fluctuation and seasonality associated with the cotton industry along with the presence in a highly fragmented cotton ginning industry.

The ability of the company to achieve the scale of operations / profitability as envisaged in the projected financials, timely servicing of interest and debt obligations and infusion of capital through unsecured loans as projected shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- ❖ The promoters have extensive experience in the cotton industry of more than decade. Being present in the industry for long tenure, the promoters have leveraged through existing group firms and have established cotton ginning and pressing manufacturing unit with commercial operations started recently .
- ❖ Unit is strategically located in one of the Cotton producing belts in Aurangabad (Maharashtra) which results in lower logistic expenditure.

Credit Risks:

- ❖ The firm has leveraged capital structure on account of lower level of owners' own equity capital and higher reliance on external finance. TNW stood at ₹3.30 crs as at FY18. Gearing stood at 1.41x as at FY18 and is expected to increase further.
- ❖ Operations of cotton business are seasonal in nature with raw cotton prices highly volatile to climatic conditions, export policy of government, and prices in international market. Apart from this cotton ginning industry is highly fragmented with intense competition from large number of unorganised players.
- ❖ The operational activity of the unit is yet to achieve continued stability.

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).

Liquidity Profile

Current ratio stood at 1.07x as at FY18. Cash & cash equivalents stood at ₹1.10 crs as at FY18. As the commercial operations of the unit have started recently in FY19, the working capital requirements are met by cash credit facility which remained fully utilized during peak season. However overall Liquidity Profile is expected to remain at moderate level going forward. The debt coverage ratios are expected to remain at moderate level.



Rating Outlook: *Stable*

BWR believes the **Anand Cottginn 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

Anand Cottginn Pvt Ltd is incorporated on 12 Nov 2013. The company has commenced the operations recently from April 2018 onwards and is having cotton Ginning and Pressing unit along with manufacturing of Cotton Bales and Cotton oil cake. The manufacturing unit is located at Aurangabad with installed capacity of 2 lakhs quintals per annum.

Company Financial Performance

The company has commenced the operations recently in FY19 and has achieved the Total Operating Income (TOI) of ₹9.82 crs in FY19 upto Nov-18. Tangible Net Worth stood at ₹3.30 crs and Gearing stood at 1.41x as on 31 March 2018.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	0.04	0.00
Tangible Net worth	₹ Cr	3.30	0.01
Total Debt/Tangible Net worth	Times	1.41	3.96
Current Ratio	Times	1.07	-



Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1)	Cash Credit	Long Term	4.00	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable	Not Rated	Not Rated	Not Rated
2)	Term Loan		4.40				
	Total		8.40	INR Eight Crores Forty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-NA

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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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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