



Rating Rationale

Anantshri Industries

26 Apr 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.27 Crores of Anantshri Industries.

Particulars

Facilities	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Open Cash Credit	4.00	Long Term	BWR B- Outlook: Stable Pronounced As BWR Single B Minus
Term Loan	1.27		
Total	5.27	INR Five Crores and Twenty Seven Lakhs Only	

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

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating Sensitivities:

BWR has essentially relied upon the audited financials upto FY18, publicly available information and information/clarifications provided by the firm's management.

The rating draws strength from the experience of promoters in the cotton processing business, moderate debt service coverage metrics and liquidity position. However, the rating is constrained by low scale of operations and profitability margins, presence in highly fragmented and intensely competitive industry, inherent risk associated with the cotton processing industry, constitution of the entity as a partnership firm and working capital intensive nature of operations.

Going forward, the ability of the firm to increase its scale of operations, improve its profitability, strengthen its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

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Description of Key Rating Drivers

Credit Strengths:

- The promoters have more than five years of experience in cotton processing and trading, which has helped them to understand local market dynamics and establish relationships with customers and suppliers.
- The firm has moderate debt service coverage metrics as reflected by interest coverage ratio and debt service coverage ratio were around 1.69 times in FY18.
- The firm has moderate liquidity position as reflected by current ratio of 1.04 times in FY18.
- The processing unit is located at Madnoor, Kamareddy, Telangana and is close to the cotton growing belt in Telangana, which ensures availability of raw cotton directly from the farmers and commission agents.

Credit Risks:

- The firm has low scale of operations and profitability as reflected by total operating income of Rs.5.08 Crs and net profit margin and operating profit margin were around of 0.10% and 5.16% respectively in FY18.
- Capital structure is weak with partners capital and gearing ratio were around Rs.0.06 Crs, and 92.67 times, respectively as on 31st March 2018. Rs.0.47 Crore as on 31st March 2019 certified by the CA.
- Since cotton is an agricultural commodity, its availability depends on the vagaries of the monsoon. It is exposed to inherent price fluctuation risk associated with agro based commodities.
- Entry barriers in the cotton ginning and pressing industry are low on account of limited capital & technology requirements and low differentiation in the end product. This leads to intense competition and limits players' pricing power, resulting in lower profitability.
- Working capital requirements are high because of the high inventory level needed due to seasonal availability of cotton.
- Constitution as partnership firm has the inherent risk of possible withdrawal of the capital by partners which can adversely affect its capital structure.



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 **Anantshri Industries** 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 Firm

Anantshri Industries (AI) was established as a partnership firm in April 2017, Madnoor, Kamareddy, Telangana.. AI's procures raw cotton from the farmers and commission agents and engaged in the cotton ginning and pressing and trading. The installed capacity of the firm is 150 bales per day and average utilization is more than 70% of the capacity. The AI's cotton processing unit is spread across around 3 acres of firm's own land. The major customers are Suchitra Cotton Industries, Vasavi Cotton Industries, Mahesh Trading Company, Preetam Trading Company and Sindhu Trading Company.

Mrs. Sunita & Mrs. Varsha are the partners of the firm

Firm Financial Performance

Anantshri Industries reported a revenue of Rs.5.08 Crs and PAT of Rs.0.10 Crs for FY18. The commercial operations commenced in December 2017. Partner's capital was Rs. 0.06 crore as on 31st March 2018 and Rs.0.47 Crore as on 31st March 2019 certified by the CA. Total Debt was Rs. 5.99 crore and current ratio was 1.04 times as on 31st March 2018.

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Key Financial Indicators

Key Parameters	Units	2018
Result Type		Audited
Operating Revenue	₹ Cr	5.08
EBITDA	₹ Cr	0.26
PAT	₹ Cr	0.01
Partners Capital	₹ Cr	0.06
Total Debt/Partners Capital	Times	92.67
Current Ratio	Times	1.04

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type	Amount(₹ Crs)	Rating	2018	2017	2016
1	Open Cash Credit	Long Term	4.00	BWR B- Outlook:Stable Pronounced As BWR Single B Minus	NA	NA	NA
2	Term Loan		1.27				
	Total		5.27 (₹ Five Crores and Twenty Seven Lakhs Only)				

Status of non-cooperation with previous CRA (if applicable): **Not Applicable**

Any other information: **Not Applicable**

Hyperlink/Reference to applicable Criteria

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



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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.

DISCLAIMER

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