



## Rating Rationale

14Feb2019

### Anjani Cotton Industries

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 18.77 Crores of Anjani Cotton Industries.**

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (9Feb2018)	Present
Fund based	20.32	18.77	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook : Stable Upgraded
<b>Total</b>	<b>20.32</b>	<b>18.77</b>	<b>INR Eighteen Crores &amp; Seventy Seven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

#### Ratings: Upgraded

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, management certified provisional/ unaudited financials for 9MFY19, projections upto FY21, publicly available information and information and clarifications provided by the management.

The ratings factors extensive experience of promoters, increase in revenues, locational advantage and healthy conversion cycle. The ratings are, however, constrained by moderate financial risk profile, stretched liquidity and intense competition in market and susceptibility of margins due to fluctuation in cotton prices.



## Description of Key Rating Drivers

### Credit Strengths:

- **Partners Experience and long term track record of operations:** ACI is successfully led by four partners, with an experience of more than a decade in Cotton Industry.
- **Improved operation :**TOI of the firm is in increasing trend since last three years. There is an improvement in sales with Rs. 136.31 Crs in FY18 as compare to Rs. 89.19 Crs FY17. In current year FY19, the firm has already achieved TOI of Rs. 132.69 Crs as per provisional financials as on 31 Dec, 2018.
- **Improved cash conversion cycle :** The firm's cash conversion cycle has improved due to decrease in inventory days from 70 days in FY17 to 40 days in FY18 and realisation period of 16 days. Current ratio of the firm is maintained to 1.56x and 1.55x in FY17 & FY18 respectively.
- **Strategic Locational Advantage of Industry:** ACI has its Industry located at Morbi District of Gujarat, which is one of the highest cotton producing districts of Gujarat thus by ensuring adequate availability of raw material economically.

### Credit risks:

- **Moderate Financial Risk Profile :** Firm's gearing is high at 2.94x in FY18 which further improved at 2.56 due to timely repayment of term loans and retained profits in business. TOL/TNW is 2.40x in FY18, which lowers down at 2.32 as per prov fin of 9MFY19. TNW is Rs. 8.17 Crs in FY18.
- **Seasonality Risk & Government Intervention:** Availability of Cotton is mainly dependent on vagaries of rainfall. Government Intervention is very high with respect to Cotton Industry and its pricing.
- **Susceptibility to volatility in Raw Material Prices due to fluctuations:** Cotton Industry is cyclical and is intensely competitive and fragmented industry owing to the presence of several organised and unorganised players and also margins are susceptible due to volatility in raw material prices.
- **Inherent risk of withdrawal of the capital :** Being a **partnership constitution**, the firm carries the risk of withdrawal of the capital.

**Liquidity Profile :** current ratio of the firm stood at 1.55 times in FY18 as against 1.56 times in FY17. The firm had Cash and bank balance of Rs. 6.21 Crs and receivable O/s of Rs. 8.60 Crs as of 31-3-2018. The working capital cycle of the company has remained stretched on account of relatively high utilization of working capital facility.

### 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 **Anjani Cotton 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**

Anjani Cotton Industries was incorporated in 1999 and started its commercial operations in the year 2001 as a partnership firm in the line of Cotton Ginning and Pressing. ACI is promoted by its partners Mr. Vipulbhai Ghodasara, Mr. Piyushbhai Sardava, Mr. Jayeshbhai Aghera and Mr. Rajdeepbhai Sardava. ACI has an installed capacity of 500 Cotton Bales per day with the industry located at Morbi District of Gujarat.

**Company Financial Performance**

ACI reported PAT of ₹0.41 Cr with Revenues of ₹136.31 Cr for FY18. ACI Gearing ratio stood at 2.94 Times, ISCR and DSCR stood at 1.51 Times and 1.23 Times respectively for FY18. ACI also registered a increase of revenues by more than 50% in FY18 when compared to that of FY17.

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	9Feb2018	2017	2016
1 2	<b>Fund Based</b> Cash Credit Term Loan	Long Term	18.00 0.77	<b>BWR BB</b> <b>(Pronounced as BWRDouble B)</b> <b>Outlook : Stable</b> <b>Upgraded</b>	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	Not Rated	Not Rated
<b>Total</b>			<b>18.77</b>	<b>₹ Eighteen Crores &amp; Seventy Seven Lakhs Only</b>			

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

### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ in Crores	136.31	89.19
EBITDA	₹ in Crores	2.41	3.09
PAT	₹ in Crores	0.41	0.37
Tangible Net worth	₹ in Crores	8.17	8.21
Total Debt/Tangible Net worth	Times	2.94	2.41
Current Ratio	Times	1.55	1.56

### Hyperlink/Reference to applicable Criteria

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

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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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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