



## Rating Rationale

Anjani Cotton Industries

9 Feb 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 20.32 Crores of Anjani Cotton Industries.**

### Particulars

Facility	Type	Amount (₹ Crs)	Tenure	Rating*
Cash Credit	Fund Based	18.00	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)
Term Loan		2.32		
<b>Total</b>		<b>20.32</b>	<b>INR Twenty Crores Thirty Two Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

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

BWR has essentially relied upon Anjani Cotton Industries (ACI) Audited Financial Statements from FY15 to FY17 and projected financial statements for FY 18 & FY19, publicly available information and information / clarification provided by the ACI management.

The rating draws strength from the Moderate Liquidity & Coverage Ratios, Partners experience and long term track record of operations, strategic locational advantage of Industry. The rating is however constrained by Decline in Revenues, Seasonality Risks, Susceptibility to volatility in Raw Material prices due to fluctuations and government intervention.

Going forward, the Company's ability to improve revenues and profitability, achievement of projected figures, maintaining lower gearing ratio will be the key rating sensitivities.

### Description of Key Rating Drivers

- **Credit Strengths:**

**Moderate Liquidity & Coverage Ratios:** ACI's liquidity is moderate with its Current Ratio improving from 1.56 Times in FY16 to 1.61 Times in FY17 and ACI also reported moderate ISCR & DSCR for FY17 at 1.74 Times & 1.09 Times respectively.

**Partners Experience and long term track record of operations:** ACI is successfully led by its partners Mr. Vipulbhai Kantilal Ghodasara, Mr. Piyushbhai Dharmasibhai Sardava, Mr. Jayeshbhai Damjibhai Aghera and Mr. Rajdeepbhai Nagdeepbhai Sardava with an experience of more than a decade in Cotton Industry. ACI has proven track record of operations since 2001.



**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:**

**Decline in Revenues:** ACI reported Operating Income of ₹89.19 Cr when compared with that of ₹97.64 Cr for FY16 which is 9% less than FY16.

**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.

### **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 Company**

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 Kantilal Ghodasara, Mr. Piyushbhai Dharmasibhai Sardava, Mr. Jayeshbhai Damjibhai Aghera and Mr. Rajdeepbhai Nagdeepbhai Sardava with an experience of more than a decade in Cotton Industry. 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 ₹0.37 Cr with Revenues of ₹89.19 Cr for FY17. ACI Gearing ratio stood at 2.41 Times, ISCR and DSCR stood at 1.74 Times and 1.09 Times respectively for FY17. ACI also registered a decrease of revenues by 8.65% in FY17 when compared to that of FY16.



**Rating History for the last three years**

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	20.32	BWR BB- (Outlook: Stable)	NA	NA	NA
	<b>Total</b>		20.32	<b>₹ Twenty Crores Thirty Two Lakhs Only</b>			

**Status of non cooperation with Previous CRA : Non Applicable**

**Any other information: Non Applicable**

**Key Financial Indicators**

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	89.19	97.64
EBITDA	₹ Cr	3.09	2.46
PAT	₹ Cr	0.37	0.41
Tangible Net worth	₹ Cr	8.21	7.58
Total Debt/Tangible Net worth	Times	2.41	2.62
Current Ratio	Times	1.61	1.56

**Hyperlink/Reference to applicable Criteria**

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



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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, 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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