



Rating Rationale

Annapurna Cotex Pvt. Ltd.

31 Jan 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 14.00 Crores of Annapurna Cotex Pvt. Ltd...

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based - Cash Credit	14.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook : Stable
Total	14.00	INR Fourteen Crores 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 publicly available information and information / clarifications provided by the company's management.

The rating draws strength from the experienced management with established track record of operations, moderate working capital conversion cycle, moderate liquidity etc. The rating however is constrained by thin profitability margins, below average debt protection metrics. 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 .

Going forward, the ability of the Entity to accelerate its scale of operations, increase its profit margins, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- ❖ The promoters have more than two decades of experience in this industry. Being present in the industry, since long time the management has established good relations with customers and suppliers.
- ❖ Moderate Working Capital Conversion Cycle level which stood at 52 days in FY18 improving marginally from 55 days as at FY17.
- ❖ Moderate Scale of operations indicated by Total Operating Income (TOI) which stood at ₹99.80 crs as at FY18 improving marginally from ₹92.71 crs as at FY17
- ❖ Current Ratio stood moderate at 1.40x as at FY18 improving marginally from 1.36x as at FY17 indicating moderate liquidity position.

Credit Risks:

- ❖ Low Profitability Margins which have witnessed declining trends over last 3 financial years indicated by OPM and NPM which at 0.77% and 0.26% respectively as at FY18
- ❖ Moderate Capital structure indicated by moderate Tangible Net worth (TNW) level which stood at ₹8.49 crs as at FY18 and moderate Gearing Level which stood at ₹1.22x as at FY18 as against 1.19x as at FY17.
- ❖ Below average debt protection metrics indicated by ISCR which declined sharply to 0.80x in FY18 from 2.15x in FY17 on account of sharp decline in operating profit and increase in interest expense in FY18 as compared to FY17. DSCR stood low at 1.50x in FY18 declining from 1.39x in FY17.
- ❖ 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.

Liquidity Profile

Current Ratio stood at moderate level at 1.40x as at FY18. Net Cash Accruals stood at ₹0.60 crs as at FY18. The working capital requirements are met by cash credit which have average utilization in the range of 70%-75% approx from the period Aug 2018 to Dec 2018.

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 **Annapurna Cotex 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

Annapurna Cotex Pvt Ltd (ACPL) is incorporated in 2008 by Goyal family. ACPL is engaged in manufacturing of cotton bales, cotton and cotton seeds. ACPL is also engaged in trading of cotton bales. The company have 2 manufacturing units - one at Shevgaon (Maharashtra) and another unit at Sadasivpet (Telangana).

Company Financial Performance

Annapurna Cotex Pvt Ltd (ACPL) have achieved the Total Operating Income (TOI) of ₹99.80 crs and PAT of ₹0.26 crs as at FY18 as against TOI of ₹92.71 crs and PAT of ₹0.31 crs in FY17. Tangible Net Worth (TNW) stood at ₹8.49 crs and Gearing stood moderate at 1.22x as on 31-March 2018.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	99.80	92.71
EBITDA	₹ Cr	0.76	1.35
PAT	₹ Cr	0.26	0.31
Tangible Net worth	₹ Cr	8.49	8.23
Total Debt/Tangible Net worth	Times	1.22	1.19
Current Ratio	Times	1.40	1.36

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)	Fund Based - CC	Long Term	14.00	BWR BB (Pronounced as BWR Double B) Outlook:Stable	Not Rated	Not Rated	Not Rated
	Total		14.00	₹ INR Fourteen Crores Only			

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



Hyperlink/Reference to applicable Criteria

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

DISCLAIMER

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