

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' for the Bank Loan facilities amounting Rs 8.50 Crores to Ansh Cotex.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan facilities by State Bank of India for Ansh Cotex ('ANC' or 'The Firm').

Facilities (Existing)	Limits (Rs. Cr)	Tenure	Rating
Cash Credit	8.00	Long Term (Fund Based)	BWR BB- <i>(Pronounced BWR Double B Minus)</i> Outlook -Stable
Term Loan*	0.50		
Total	8.50	INR Eight Crores and Fifty Lakhs Only	

BWR has principally relied upon the audited financial results up to FY14, projections up to FY16, publicly available information and information/clarification provided by the management.

The rating has factored, inter alia, experience of the promoters in this line of business, low concentration of customer & supplier base and improved gearing. However the rating is constrained by intense competition from other similar players, uncertainties associated with cotton processing (being an agro-product), low value addition and low net profit & operating margins.

Background:

Ansh Cotex (ANC) is a proprietorship Firm established in 2007 under the leadership of Mr. Nitesh Agrawal. Firm is involved in ginning of raw cotton (Kappas) into cotton bales and Cotton Seeds. Firm's ginning unit is located in Shahgad Dist. Ambad, Maharashtra with a built-up area of ~4.5 Acres and with 115 employees. It has an installed capacity of processing ~250-300 Bales/Day and current capacity is fully utilized. Over the years, ANC has established good relations with its major customers, thus ensuring regular business. Major raw material consumed by the Firm is raw cotton (Kappas) which the Firm procures from local suppliers.

Management Profile:

Mr. Nitesh Agrawal is the proprietor of the Firm. He is a post graduate and has experience of more than 18 years in this line of business. Mr. Nitesh Agrawal and family members manages day-to-day activities of the Firm.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

The Firm's revenue from operations has declined by 5.26 % from Rs 65 Crs in FY13 to Rs 61.75 Crs in FY14. The operating margins have improved from 2.03 % in FY13 to 2.57 % in FY14. PAT has increased from Rs 0.47 Crs in FY13 to Rs 0.60 Crs in FY14 mainly due to low operating expenses. The tangible net worth stood at Rs 4.46 Crs as at March 31, 2014 as against Rs 2.68 Crs as on March 31, 2013.

The main borrowing of the Firm relates to working capital facilities and term loan from State Bank of India. Outstanding term loan of Rs 0.50 Crs will be repaid in 20 quarterly installments of Rs 5 lakhs each. The ratio of Total Debt: Tangible Net worth stood at 2.10 X in FY14. However considering unsecured loan from friends and relatives DE improves to 1.42 X in FY14

On provisional basis, the Firm has reported estimated net sales of Rs 37 Crs in April-Dec for FY15. As the busy season is still to set in, the Firm hopes to better its performance in the current year.

Rating Outlook:

The outlook of the Firm is expected to be stable during the current year. The Firm's ability to expand its scale of operations, improve its margin levels, infuse more funds for future growth and manage its inventory and working capital efficiently would be key rating sensitivities.

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