

## RATING RATIONALE

8 Oct 2019

### Asha Cotton Industries

**Brickwork Ratings Revises the ratings for the Bank Loan Facilities of ₹ 7.95 Crores of Asha Cotton Industries based on best available information, as the issuer did not cooperate.**

#### Particulars

Facility	Amount (₹ Cr)		Tenure	Rating#		
	Previous	Present		Initial (Mar, 2016)	Previous (Jul 2017)	Present
Fund based Cash Credit DL against warehouse receipt	4.95 3.00	4.95 3.00	Long Term	BWR B Stable	Rating Not Reviewed	BWR B-Stable Issuer Not Cooperating* (Downgraded)
<b>Total</b>	<b>7.95</b>	<b>7.95</b>		<b>INR Seven Crores and Ninety Five Lakhs Only</b>		

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

\* Issuer did not cooperate, based on best available information.

Details of Bank facilities is provided in Annexure-I

#### RATING ACTION / OUTLOOK / NATURE OF NON-COOPERATION

The long term rating of the Bank Loan Facilities of the company has been revised and downgraded on account of non-receipt of any papers/information for ascertaining the financial risk profile/performance of the company. We have therefore moved the rating under “Issuer Not Cooperating” category.

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. Hence, we have assigned a ‘Stable’ outlook.

BWR had initially assigned rating of BWR B Stable to bank loan facilities amounting to Rs. 7.95 crores in March 2016. After that, rating was moved to Rating Not Reviewed in July 2017 as no information was received from the client for conducting the annual surveillance. The rating was

due for surveillance. The company was being regularly followed up for the surveillance, vide emails dated 24.05.2019, 24.07.2019, 03.06.2019, 29.08.2019 and 25.09.2019 and call dated 07.08.2019 for obtaining the relevant and latest paper/ information for the review of the rating. The company did not cooperate for undertaking the rating process in spite of following up several times. In the absence of adequate information from the entity, BWR is unable to assess the entity's financial performance and its ability to service its debt and maintain a valid rating. Hence, on account of inadequate information and lack of management cooperation, BWR recommends to place the rating under Issuer Non Cooperating category and has further revised the long term rating of the Bank Loan Facilities of the company to BWR B- Stable.

#### **LIMITATIONS OF THE RATING**

Information availability risk is a key factor in the assessment of credit risk as generally, non-cooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress. Users of the credit ratings should therefore take into account possible deterioration in the credit quality of the rated entity arising from its non-transparency withholding of information required for a review of the rating.

#### **KEY FINANCIAL INDICATORS (in ₹ Cr) [AS AVAILABLE WITH BWR]**

<b>Key Parameters</b>	<b>Units</b>	<b>FY 15</b>	<b>FY 14</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Income	₹ Cr	20.63	35.85
EBITDA	₹ Cr	0.61	0.98
PAT	₹ Cr	0.08	0.27
Tangible Net Worth	₹ Cr	4.08	3.95
Total Debt /TNW	Times	0.99	1.76
Current Ratio	Times	1.57	1.31

#### **COMPANY PROFILE ( Information as on Mar 2016)**

Asha Cotton Industries (ACI) was established in 1998 as a partnership firm with Mr. Pareshbhai Valia as managing partner and Mr. Jitendrabhai Valia, Dr. Bhikhabhai Valia, Mrs. Rekhaben Valia and Mrs. Kailashben Valia as partners. The firm is engaged in ginning of raw cotton to produce cotton bales and crushing of cotton seeds to produce raw cotton seed oil in Mahuva, Gujarat. The key raw material (cotton) is procured directly from local farmers based in Gujarat. The unit is spread over 47,000 square yard and it has 36 double roller ginning machines which enables the firm to gin 2,00,000 kg of raw cotton per day. The firm sells its products under the brand name ASHA across India

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil**

**RATING HISTORY**

Instrument / Facilities	Current Rating			Rating History	
	Tenure	Amount (₹ Cr)	Rating	Initial (Mar 2016)	Previous (Jul 2017)
Fund based Cash Credit DL against warehouse receipt	Long Term	4.95 3.00	BWR B-Stable Issuer Not Cooperating* (Downgraded)	BWR B Stable	Rating Not Reviewed
Total		7.95	INR Seven Crores and Ninety Five Lakhs Only		

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [What Constitutes Non-Cooperation](#)

For any other criteria obtain [hyperlinks](#) from website

Analytical Contacts	Investor and Media Relations
<p>Srishti Kaushik Ratings Analyst B :+91 202267456 Ext :673 <a href="mailto:srishti.k@brickworkratings.com">srishti.k@brickworkratings.com</a></p> <p>Sushil Kumar Chitkara Associate Director - Ratings B :+91 22 2831 1426, +91 22 2831 1439 <a href="mailto:sushilkumar.c@brickworkratings.com">sushilkumar.c@brickworkratings.com</a></p>	<p>Satish Nair Director - Global Market Development &amp; Investor Relations M : +91 7738875550 B : +91 22 6745 6666 <a href="mailto:satish.n@brickworkratings.com">satish.n@brickworkratings.com</a></p>

## ANNEXURE I

### Asha Cotton Industries

#### Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1	State Bank of India	Cash Credit	4.00	-	4.00
		DL against Warehouse Receipt	3.95		3.95
<b>TOTAL</b>					<b>7.95</b>

**Total Rupees Seven Crores and Ninety Five Lakhs only.**



**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**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** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons