

Rating Rationale

Brickwork Ratings has assigned “BWR B” rating (Outlook: Stable) for Bank Loan facility amounting to ₹ 7.95 Cr of Asha Cotton Industries.

Brickwork Ratings has assigned the following **Ratings¹** for Bank Credit facility sanctioned/availed amounting to Rs. 7.95 Crores by Asha Cotton Industries. (or the 'Firm') :-

Facility	Limits (₹ Cr)	Tenure	Rating
Fund based			
Cash Credit	4.95	Long Term	BWR B (Pronounced as BWR B) Outlook-Stable
DL against warehouse receipt	3.00		
Total	*7.95 (INR Seven Crores and Ninety Five Lakhs only)		

BWR has essentially relied on audited financials of Asha Cotton Industries up to FY15, projected financials for FY16, FY17, FY18, publicly available information and information/clarifications provided by the firm.

The rating reflects long and established track record of the promoter in business with long standing relationship with customer and supplier base with favorable location of the unit in the cotton producing region of Gujarat with enables easy access to quality raw cotton.

However, the rating is constrained by moderate scale of operations supplemented with profitability highly susceptible to volatility in price of raw material which are subject to seasonality and crop harvest. BWR also considers stiff competition from local players, moderately leveraged capital structure. Asha Cotton Industries is a partnership firm so any significant withdrawals from the capital account would affect its capital structure adversely which further constrains the ratings.

Background:

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

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

Product portfolio: Cotton bales, raw cotton seed oil and cotton cakes

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 is able to produce 400 cotton bales (160Kg=1 bale) per day and the firm has 5 crushing machines with production capacity of 4 tons of raw cotton seed oil per day.

The firm sells its products under the brand name ASHA across India

Management Profile:

Mr. Pareshbhai Valia, Managing Partner and Mr. Jitendrabhai Valia, Partner possesses relevant experience since 1998.

Financial Performance:

As per audited financials of FY15, the firm's operating income decreased to Rs.20.63 crores in FY15 from Rs.35.85 crores in FY14. OPBDIT margin of the firm increased from 2.73% in FY14 to 2.94% in FY15. Net profit margin decreased from 0.75% in FY14 to 0.39% in FY 15. ISCR of the firm stood at 1.14x and NCA/Total Debt stood at 0.04x as on March 31, 2015.

Rating Outlook:

The outlook is stable. Going forward, the firm's ability to successfully scale up the operations to increase its revenues with improving its profitability and capital structure would be key rating sensitivities for the firm.

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