

Rating Report

Brickwork Ratings Reaffirms the Rating of BWR BB-(Outlook-Stable) for the Bank Loan facilities aggregating to ₹ 8.00 Crores of Ansh Cotex.

Brickwork Ratings has revised the following **Ratings¹** for the Bank Loan facilities amounting to ₹8.00 Crores of **Ansh Cotex** sanctioned by State Bank Of India.

Facility	Limits (₹ Crores)		Tenure	Rating
	Previous	Present		
Fund Based Cash Credit	8.00	8.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook-Stable) Reaffirmed
Term Loan	0.50	0.00		
Total	8.50	8.00	INR Eight crores only	

BWR has principally relied upon the audited financial results up to FY15, projections of FY16 and the publicly available information/clarifications provided by the firm's management.

The rating continues to factor the experience of the promoters in the same line of business, improved operating cycle in FY15 and it has got customers in more than 2 states. The ratings are however constrained by firm's underperformance against FY15 projections, low profitability margins due to raw material price fluctuations, low net worth which has declined resulting in high gearing in FY15. The business operation is also exposed to constitution risk where the possibility of capital getting withdrawn by the proprietor from the business is higher.

Background:

Ansh Cotex(ANC) was established in the year 2007 as a proprietorship concern by Mr.Nitesh Agarwal. It is involved in the ginning of raw cotton into cotton bales and cotton seeds. Its ginning unit is located in Shahgad district, Ambad, Maharashtra.

It has an installed capacity of 250-300 bales /day and the current capacity is fully utilised. It has an established relationship with the customers and have got customers from all over India and Pakistan. The major raw material for the process are the kappas(raw cotton) and they are procured from the farmers.

The rating favourably considers the following aspects stated below:

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

Experience of the proprietor:The promoters has around 19 years experience in the same line of business.

Improved operating cycle:The firm has an operating cycle of about 76 days in FY15 with days receivable and inventory of 52 and 37 respectively.

Expanded customer base:The firm has got customers from more than 2 states in India- low geography concentration risk.

The rating is constrained by the following factors:

Inability to achieve projections: The firm was not able to achieve the projections for FY15- agro based products and operations are mainly dependent on availability of the raw material which are exposed to external weather factors.

Low profitability margins and networth : The firm has a net profit of 1.13% and an operating profit of 3.20% in FY15.It has a networth of about ₹3.11 crores indicating modest scale of operations limited flexibility to borrow.

High leverage: The firm has a high gearing of 2.90 times in FY15 due to low networth.

Proprietorship concern:The firm faces the risk of being a proprietorship in nature.

Financial Performance:

During FY15,the total revenue of the company was ₹51.34 crores. The operating profit margin is 3.20% in FY15. The debt equity ratio is 2.90 times. The tangible net worth is ₹3.11 Crores as at 31st March,2015.

Rating Outlook:

Going forward,the ability of the company to improve scale of operations,profitability and to improve its capital structure will remain the key rating sensitivities.

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Ansh Cotex
Annexure1: Profit and Loss in Brief(₹Crores)

Crores	FY12	FY13	FY14	FY15
Result Type	Audited	Audited	Audited	Audited
Gross Sales	46.32	65.00	61.75	51.34
Net Sales	46.32	65.00	61.75	51.34
Total Operating Income	46.32	65.00	61.75	51.34
Raw Material Consumed	43.94	64.61	59.40	47.28
Change In Inventory (Increase)/Decrease	0.00	-3.09	-1.10	0.00
Power and Fuel Expenses	0.30	0.50	0.39	0.42
Employee Cost	0.50	0.74	0.70	0.48
Manufacturing Expenses	0.05	0.15	0.25	0.23
Cost of Goods Sold	44.79	62.91	59.64	48.40
Selling, General and other Administrative expenses	0.35	0.77	0.52	1.29
Operating Expenses	45.14	63.68	60.16	49.69
OPBDIT	1.17	1.32	1.58	1.64
Depreciation/Amortization/Impairment	0.23	0.31	0.26	0.25
OPBIT	0.94	1.01	1.32	1.40
Interest and Finance Charges	0.74	0.60	0.75	0.86
OPBT	0.20	0.42	0.57	0.54
Non Operating Income(Expenses)	0.05	0.06	0.03	0.05
PBT	0.25	0.47	0.60	0.58
PAT(Continuing Operations)	0.25	0.47	0.60	0.58
PAT	0.25	0.47	0.60	0.58

Annexure 2: Balance sheet (₹ Crores)

Crores	FY12	FY13	FY14	FY15
Liabilities	Audited	Audited	Audited	Audited
EQUITY AND RESERVES	2.01	2.68	4.46	3.11
Share capital	1.76	2.21	3.86	2.52
Reserves and Surplus	0.25	0.47	0.60	0.58
Non-current liabilities	3.24	2.64	3.28	3.82
Long-Term Borrowings	3.24	2.64	3.28	3.82
Current liabilities	5.57	3.82	7.63	7.37
Short-Term Borrowings	3.20	3.23	6.08	5.19
Current Portion Of Long Term Debt	0.00	0.00	0.00	0.00
Trade Payables	2.13	0.27	1.38	2.02
Other Current Liabilities	0.03	0.05	0.05	0.05
Short-Term Provisions	0.22	0.27	0.12	0.11
Total Liabilities	10.83	9.13	15.37	14.30
ASSETS				
Non-current assets	2.31	2.10	1.87	1.80
Net Fixed assets	2.30	2.10	1.87	1.80
Long Term Loans and Advances	0.00	0.00	0.00	0.00
Other Non Current Assets	0.00	0.00	0.00	0.00
Current assets	8.52	7.03	13.49	12.49
Current Investments	0.00	0.00	0.00	0.00
Inventories	2.49	3.63	4.67	5.24
Trade Receivables < Six Months	5.48	2.76	8.05	6.55
Cash and Cash Equivalents	0.37	0.33	0.44	0.40
Short-Term Loans and Advances	0.18	0.31	0.33	0.30
Total Assets	10.83	9.13	15.37	14.30