

## Press Release

### Ambica Spintex Private Limited

May 30, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 41.00 Cr.
<b>Long Term Rating</b>	SMERA D
<b>Short Term Rating</b>	SMERA D

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA D**' (**read as SMERA D**) and short term rating of '**SMERA D**' (**read as SMERA D**) on the Rs. 41.00 crore bank facilities of Ambica Spintex Private Limited.

Ambica Spintex Private Limited (ASPL), a Gujarat-based company incorporated in 2013 was promoted by Mr.Jayantibhai Patel, Mr. Narsinhbhai Patel, Mr.Dilipkumar Patel and others. The company is engaged in the manufacturing of 30s Ne combed hosiery cotton yarn. ASPL has 14400 spindles with installed capacity of 2851 MT per annum to manufacture cotton yarn.

#### Key Rating Drivers

##### Strengths

- **Experienced promoters**

The promoters, Mr. Jayantibhai Patel, Mr. Narsinhbhai Patel, Mr.Dilipkumar Patel and Mr.Hasmukh Patel possess over three decades of experience in the textile industry.

##### Weaknesses

- **Delays in servicing of debt obligations**

There have been delays in servicing of debt obligations in the last three months due to a weak liquidity.

- **Below average financial risk profile**

ASPL is expected to have a below average financial risk profile. The moderate net worth stood at Rs.9.56 crore with gearing of 3.52 times as on 15 Feb, 2017 (Provisionals) mainly due to long term borrowing of Rs.37.30 crore. The total long term debt includes unsecured loans to the tune of Rs.3.76 crore from promoters. The Interest coverage ratio (ICR) stood low at 1.51 times for 11MFY2017 (Provisionals) due to the initial stage of operations. However, ASPL is expected to receive interest subsidy of 7 percent from the state government (under Technology Upgradation Fund Scheme) which is expected to improve its ICR going ahead. ASPL has debt obligations of ~Rs. 2.63 crore in FY2018, Rs. 6.30 crore in FY2019 and FY2020 as against inadequate net cash accruals expected due to its nascent stage of operations.

- **Nascent stage of operations**

ASPL's cotton yarn manufacturing facility located at Sabar Kantha, Gujarat has installed capacity of 14400 spindles. The total project cost of Rs.52.06 crore has been financed through a term loan of Rs.37.30 crore and promoter's contribution of Rs.14.76 crore. The company began operations from October 2016 and booked revenue of ~Rs.14.33 crore from Oct 2016 to Feb 2017. ASPL plans to export its finished goods to Europe, China, Bangladesh and generate around 40 percent sales going

ahead.

**• Presence in a highly fragmented textile industry**

ASPL operates in a highly fragmented industry with large numbers of organised and unorganised players.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of Ambica Spintex Private Limited (ASPL) to arrive at the rating.

**Outlook:**

**About the Rated Entity - Key Financials**

For 11MFY2016-17 (Provisionals), the company registered profit after tax (PAT) of Rs.0.60 crore on operating income of Rs.14.33 crore. The net worth stood at Rs.10.51 crore as on 15 February, 2017 (Provisionals).

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

**Note on complexity levels of the rated instrument**

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	30-Sep-2025	14.80	SMERA D
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA D
Term loans	Not Applicable	Not Applicable	30-Nov-2022	22.50	SMERA D
Proposed	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA D
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA D

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Analytical

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