

Press Release

Ambica Spintex Private Limited

September 22, 2017



Rating Upgraded

Total Bank Facilities Rated*	Rs. 41.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA B-**' (**read as SMERA B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 41.00 crore bank facilities of Ambica Spintex Private Limited. The outlook is '**Stable**'.

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 14,400 spindles with installed capacity of 2851 MT per annum for manufacturing of cotton yarn.

Key Rating Drivers

Strengths

- Experienced promoters**

The promoters, Mr. Jayantibhai Patel, Mr. Narsinhbhai Patel and Mr. Dilip Kumar Patel have been in the textile industry for more than three decades.

Weaknesses

- Limited operational trackrecord**

A cotton yarn manufacturing facility was set up at Sabar Kantha, Gujarat at a total cost of Rs.52.06 crore, funded through a term loan of Rs.37.30 crore and promoter's capital of Rs.14.76 crore. Operations commenced from October 2016. As informed by the management, the company has installed capacity of 14400 spindles with full capacity utilisation. The company booked revenue of Rs.21.00 crore from April - July 2017 and expects revenue of Rs.70.00 crore in FY2018.

- Working capital intensive operations**

The operations are working capital intensive with Gross Current Assets (GCAs) days of 133 in FY2017 (Provisional) on account of high inventory levels of 110 days. However, the liquidity profile has been moderately stretched since the company utilises ~60 percent for the last six months ended August 2017.

- Intense market competition**

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

- Susceptibility of profitability to volatility in raw material prices**

The profit margins are susceptible to volatility in the prices of raw material - cotton.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Ambica Spintex Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that ASPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company registered profit after tax (PAT) of Rs.0.84 crore on operating income of Rs.22.04 crore. The net worth stood at Rs.8.33 crore as on 31 March, 2017 (Provisional) compared to Rs.9.06 crore as on 31 March, 2016.

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-May-2017	Term Loan	Long Term	INR 14.8	SMERA D
	Cash Credit	Long Term	INR 2	SMERA D
	Term Loan	Long Term	INR 22.5	SMERA D
	Proposed Long Term Loan	Long Term	INR 0.2	SMERA D
	Bank Guarantee	Short Term	INR 1.5	SMERA D

***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 B- / Stable
Cash Credit	Not	Not	Not	2.00	SMERA B- / Stable

	Applicable	Applicable	Applicable		
Term loans	Not Applicable	Not Applicable	30-Nov-2022	22.50	SMERA B- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4

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