

Press Release

Aggarwal Fibres Private Limited

12 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 11.00 crore bank facility of Aggarwal Fibres Private Limited (AFPL). The outlook is '**Stable**'.

Aggarwal Fibres Private Limited (AFPL), incorporated in 2016 is a Punjab-based company promoted by Mrs. Anju Goel & Mr. Ajay Kumar Gupta. The company is engaged in the textile business and has a spinning unit to produce yarn of range 16s to 20s counts. The raw materials are procured locally and the company caters to customers in Punjab.

Key rating drivers

Strengths

Experienced Management

The promoters i.e. Mrs. Anju Goel & Mr. Ajay Kumar Gupta have experience of around a decade in the textile industry through their proprietorship firm engaged in the trading of cotton yarn.

Proximity to raw materials

AFPL's manufacturing facility is located in Punjab, one of the major cotton producing regions in India. The proximity of the manufacturing facility to raw material source has ensured steady supply of raw materials at competitive rates.

Weaknesses

Competitive and highly fragmented industry

AFPL operates in a highly fragmented industry characterised by the presence of a large number of unorganised players. Further, the ever increasing spinning capacities in Bangladesh, China are likely to reduce the demand for Indian exports.

Agro climatic risks

Cotton is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate monsoon may affect the availability of cotton.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Aggarwal Fibres Private Limited to arrive at the rating.

Outlook - Stable

SMERA believes that AFPL 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 significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability and higher than expected debt funded working capital requirements.

Any other information:

Not Applicable

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.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>

Status of non-cooperation with previous CRA (if applicable):None

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 Crore)	Ratings/Outlook
Term Loan	NA	NA	NA	9.00*	SMERA BB-/Stable (Assigned)
Cash Credit	NA	NA	NA	2.00	SMERA BB-/Stable (Assigned)

*LC of Rs. 5.00 – Sublimit of term Loan

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