

Press Release

Ambala Cotspin Private Limited

D-U-N-S® Number: 67-548-8028

September 11, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 12.00 crore bank facilities of AMBALA COTSPIN PRIVATE LIMITED (ACPL). The outlook is '**Stable**'.

Incorporated in 2017, Ambala Cotspin Private Limited (ACPL) is a Haryana-based company engaged in the business of processing of cotton into cotton yarn. The day-to-day operations are managed by its directors, Mr. Satish Kumar, Mr. Nitin Garg, Mr. Tarun Garg, Mr. Thakar Dass and Mr. Surinder Kumar. The manufacturing unit is in Ambala, Haryana with installed capacity of 10 tonnes per day. The commercial operations of the company began from February, 2018.

Analytical Approach

Acuité has considered standalone business and financial risk profile of ACPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experience Management

ACPL is promoted by its directors, Mr. Satish Kumar, Mr. Nitin Garg, Mr. Tarun Garg, Mr. Thakar Dass and Mr. Surinder Kumar. The directors are in the business of rice milling for the past 60 years. Though processing of cotton is a new line of business for the company, it has an efficient second line of management. Further, the extensive experience of the management has enabled the company to forge healthy relationships with the customers and suppliers. Acuité believes that ACPL will continue to benefit from its experienced management and established relationships with its customers.

Weaknesses

• Nascent scale of operations

ACPL was incorporated in 2017. Its commercial operation started from February, 2018. Revenues registered for FY2019 is Rs.25.80 crore as against Rs.0.29 crore in FY2018. Further, operating margins stood at 14.14 per cent in FY2019 as against 3.14 per cent in FY2018. Acuité believes that the scale of operation is expected to increase on account of increasing demand.

• Intensive working capital operations

The company has intensive working capital operations marked by high Gross Current Assets (GCA) of 114 days in FY2019. The inventory and debtor levels stood at 71 days and 24 days, respectively, in FY2019. As a result, the bank limit is fully utilised for the last six months ending June, 2019. Acuité believes that the company's ability to efficiently manage its working capital operations will be a key rating sensitivity.

• Moderate financial risk profile

The financial risk profile is moderate marked by low net worth and moderate debt protection measures and gearing. The net worth of the company is moderate at Rs.6.89 crore as on 31 March, 2019 as against Rs.4.29 crore as on 31 March, 2018. The gearing of the company stood at 1.46 times as on March 31, 2019 as against 2.27 times as on March 31, 2018. Total debt of Rs.10.04 crore consists of term loan of Rs.8.54 crore and working capital facility of Rs.1.50 crore as on 31 March, 2019. Total

Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.97 times as on 31 March, 2019 as against 2.35 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 2.39 times in FY2019 as against 0.09 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.21 times as on 31 March, 2019 as against 0.01 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 2.37 times in FY2019 as against 1.93 times in FY2018.

Liquidity Position

ACPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.08 crore in FY2019 as against Rs.0.09 crore in FY2018, while its maturing debt obligation was Rs.1.19 crore for FY2019. The company's working capital operations are intensive as marked by gross current asset (GCA) days of 114 in FY2019. Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains fully utilized during the last 6 months' period ended June, 2019. The company maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2019. The current ratio of the company stood moderate at 1.27 times as on March 31, 2019.

Acuite believes that the liquidity of the company will remain adequate over the medium term.

Outlook: Stable

Acuite believes that the company will maintain 'Stable' outlook over the medium term on back of experience of its management. The outlook may be revised to 'Positive', if there is substantial and sustained improvement in the company's operating performance, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	25.80	0.29	0.00
EBITDA	Rs. Cr.	3.65	0.01	0.00
PAT	Rs. Cr.	0.02	-0.38	0.00
EBITDA Margin	(%)	14.14	3.14	0.00
PAT Margin	(%)	0.09	-132.03	0.00
ROCE	(%)	10.40	-6.62	0.00
Total Debt/Tangible Net Worth	Times	1.46	2.27	0.00
PBDIT/Interest	Times	2.39	0.09	0.00
Total Debt/PBDIT	Times	2.75	1071.21	0.00
Gross Current Assets (Days)	Days	114	3782	0

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	8.25	ACUITE B / Stable
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE B / Stable

Contacts

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About Acuité Ratings & Research:

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