



SMERA RATINGS LIMITED

**OZONE PB SPINTEX LIMITED (OPBSL)****Rating  
Rationale****April 01, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Term Loan (I)	35.00	SMERA B+/Stable (Assigned )
Term Loan (II)	20.50	SMERA B+/Stable (Assigned)
Cash Credit	8.00	SMERA B+/Stable (Assigned)
Bank Guarantee	4.40	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.67.90 crore bank facilities of Ozone PB Spintex Limited (OPBSL). The outlook is '**Stable**'. The ratings are constrained by the company's exposure to project execution risk. The ratings are also constrained by the company's exposure to industry-specific risks, including intense competition and raw material price volatility. However, the ratings are supported by the company's experienced management and location-specific advantage.

OPBSL is a Gujarat-based company established in December 2012. OPBSL is setting up a cotton yarn spinning mill with an installed capacity 26,112 spindles in Balva (Ahmedabad district), Gujarat. The total cost of the project is Rs.85.00 crore, which is likely to be funded through equity capital of Rs.24.50 crore, long-term loans of Rs.55.50 crore and unsecured loans of Rs.5.00 crore from promoters. OPBSL is likely to commence commercial production in July 2014. The company's promoters have infused equity capital of Rs.19.00 crore till date. The civil construction work of the spinning mill is complete. However, installation of machineries is pending, which exposes the company to project execution risk. Moreover, post commissioning, OPBSL's operations will be susceptible to raw material price volatility and intense competition prevalent in the cotton yarn industry.

OPBSL is a joint initiative of the Ozone Group (real estate developer) and the PB Group (commission agent of cotton and other agro commodities). Mr. Dharmendra Shah, director of the PB Group, has around 25 years of experience in the cotton yarn industry. SMERA believes OPBSL is poised to benefit from the expertise of Mr. Dharmendra Shah and the established operations of the PB Group.

OPBSL's upcoming spinning unit is in proximity to raw material sourcing area in Gujarat, which is a major cotton growing state in India. The company is also eligible to receive tax rebate and interest subvention available under the Technological Up gradation Fund Scheme (TUFS) and Gujarat Textile Policy 2012. Moreover, the benefits under TUFS are conditional to timely debt servicing and repayment by applicant, which entails financial discipline on the part of the applicant.

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**OZONE PB SPINTEX LIMITED (OPBSL)****Rating  
Rationale****Rating Sensitivity Factor**

- Timely completion of project without cost overruns

**Outlook: Stable**

SMERA believes OPBSL will continue to benefit over the medium term from its experienced management and favourable location. The outlook may be revised to 'Negative' in case of cost overruns resulting from delays in project execution, or in case the company avails higher-than-expected debt. Conversely, the outlook may be revised to 'Positive' in case the company achieves optimum capacity utilisation and healthy profitability.

**About the company**

OPBSL is a joint initiative of the Ozone Group and the PB Group. OPBSL is established to undertake manufacturing of cotton yarn. The company is setting up a spinning mill in Bavla (Ahmedabad district), Gujarat, at total project cost of Rs.85.00 crore.

OPBSL's directors include Mr. Deepak Patel and Mr. Jayesh Kumar Patel (of the Ozone Group) and Mr. Dharmendra Shah and Mr. Yogeshkumar Patel (of the PB Group).

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