

December 24, 2013

**CARE ASSIGNS 'CARE BB-' RATING TO THE BANK FACILITIES OF
AB COTSPIN INDIA LIMITED**

Ratingaa

Facilities	Amount (Rs.crore)	Rating ¹	Remarks
Long-term Bank Facilities	36.86	CARE BB- (Double B Minus)	Assigned
Total Facilities	36.86		

Rating Rationale

The rating assigned to the bank facilities of AB Cotspin India Limited is primarily constrained by the short track record of operations, limited experience of the management in the textile industry and below average financial risk profile characterized by low PAT margin, leveraged capital structure and moderate coverage indicators. The ratings also factor in reliance of raw material price on the government policies and agro climatic conditions and its presence in a highly fragmented and competitive textile industry.

The rating, however draws strength from the integrated nature and strategic location of its manufacturing facility.

Going forward, the ability of the company to increase the scale of operations while improving its profitability margins and improve its capital structure would be the key rating sensitivities.

Background

A B Cotspin India Limited (ABC) was originally incorporated as a closely held public limited company under the name of Ganga Cottex Limited (GCL) in June 1997. GCL was taken over by the current management of ABC namely Mr Rahul Goyal, Mr Piyush Kansal and Mrs Samita Goyal in December 2010 and was renamed as ABC. Prior to the takeover, GCL was a ginning unit involved into processing of raw cotton.

Currently, ABC is engaged in the manufacturing of cotton yarn at its manufacturing facility located at Faridkot, Punjab having an installed capacity of 18,000 spindles as on March 31, 2013. The company is also engaged in the trading of allied products like cotton seed, cotton seed cake, etc. ABC procures its raw material ie raw cotton directly from farmers in Punjab and sells its cotton yarn in the domestic market as well as exports to Peru, Columbia and Egypt.

ABC is a part of "Home Land Group" which is a conglomerate of companies engaged in the manufacturing of pesticides and insecticides, real estate infrastructure development, trading of edible oil etc through the group companies.

For FY13 (refers to the period April 01 to March 31), ABC achieved a total operating income of Rs.87.27 crore with PAT of Rs.0.35 crore. For 4MFY14 (based on the unaudited results), the company achieved a total operating income of Rs.29.77 crore.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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