

July 06, 2015

CARE ASSIGNS 'CARE B+' RATING TO THE BANK FACILITY OF AKSHAR SPINTEX PRIVATE LIMITED

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long –term Bank Facilities	40.80	CARE B+ (Single B Plus)	Assigned

Rating Rationale

The rating assigned to the bank facilities of Akshar Spintex Private Limited (ASPL) is primarily constrained on account of its short track record of operations and financial risk profile marked by cash losses during FY15 (refer to the period April 1 to March 31), leveraged capital structure and weak debt coverage indicators. The rating is also constrained on account of ASPL's presence in the highly fragmented and competitive textile industry and susceptibility of its profit margins to volatility in raw material prices.

The rating, however, takes comfort from the experience of promoters into the textile industry along with location advantage on account of presence of ASPL within cotton producing belt of Gujarat and fiscal benefits from the government.

The ability of ASPL to increase its scale of operations by stabilization of manufacturing facility along with improvement in profitability and capital structure and manage its working capital requirement efficiently are the key rating sensitivities.

Background

ASPL was incorporated in June 2013 as a private limited company by Mr Ashok Bhalala, Mr Prakash Sorathia, Mr Rajdeep Patel, Mr Amit Ghadiya and Ms Rekha Chauhan. ASPL has undertaken a debt-funded capex for setting up of a spinning mill with total installed capacity of 24,480 spindles in phase manner. ASPL manufactures combed cotton yarn of finer quality with 30s count and operates from its sole manufacturing facility located at Kalavad region in Jamnagar district of Gujarat. ASPL has completed first phase of project with installed manufacturing capacity of 18,500 spindles in October 2014, and commenced the commercial production of cotton yarn from end of October 2014. At present, ASPL is implementing second phase of the project and it has envisaged commencing commercial production from the second phase (for 5,980 spindles) of the project from July 2015.

As per FY15 (prov.) financials, ASPL reported net loss of Rs.3.38 crore on a total operating income (TOI) of Rs.15.31 crore. During 2MFY16 (Prov.), ASPL has achieved a turnover of Rs.7.22 crore.

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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