

JULY 22, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE LT BANK FACILITIES AND ASSIGNS 'CARE A4' RATING TO THE ST BANK FACILITIES OF AKSHAR SPINTEX PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long –term Bank Facilities	46.80 (enhanced from 40.80)	CARE B+ (Single B Plus)	Reaffirmed
Short-term Bank Facilities	1.55	CARE A4 (A Four)	Assigned
Total	48.35		

Rating Rationale

The ratings assigned to the bank facilities of Akshar Spintex Private Limited (ASPL) continue to remain constrained on account of its short track record of operations and financial risk profile marked by cash losses during FY15 (refers to the period April 1 to March 31), leveraged capital structure and weak debt coverage indicators. The ratings also remained 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 ratings, however, continue to take comfort from the experience of the promoters into the textile industry along with location advantage on account of presence of ASPL within the 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 a total installed capacity of 24,480 spindles in a phased manner. ASPL manufactures combed cotton yarn of finer quality with 30s count and operates from its sole manufacturing facility located at Kalavad region in the Jamnagar district of Gujarat. ASPL has completed the first phase of the project with installed manufacturing capacity of 18,500 spindles in October 2014, and commenced the commercial production of cotton yarn from the end of October 2014. At present, ASPL is implementing the 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 (provisional) financials, ASPL reported net loss of Rs.3.38 crore on a total operating income (TOI) of Rs.15.31 crore. During 2MFY16 (Provisional), 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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