

Natvar Cotex Private Limited

Instrument	Amount Rated	Rating Action
Cash Credit	Rs 6.00 crore	[ICRA]B reaffirmed
Term Loan	Rs 0.74 crore (reduced from Rs.1.54 crore)	[ICRA]B reaffirmed
Unallocated limits	Rs. 0.80 crore	[ICRA]B assigned

ICRA has reaffirmed the long-term rating of [ICRA]B (pronounced ICRA B) to the Rs. 6.00 crore¹ cash credit facility and Rs. 0.74 crore (reduced from Rs. 1.54 crore) term loan facility of Natvar Cotex Pvt. Ltd. (NCPL)². ICRA has also assigned [ICRA]B (pronounced ICRA B) to the Rs. 0.80 crore unallocated limits of NCPL.

The rating reaffirmation continues to take into account the Natvar Cotex Pvt. Ltd.'s (NCPL) modest scale of operations; weak financial risk profile characterized by low profitability margins, adverse capital structure and modest debt coverage indicators. The ratings continue to factor in the vulnerability of profitability to adverse movements in raw cotton prices which are subject to seasonality and crop harvest and regulatory risk with regard to Minimum Support Price and highly competitive & fragmented industry structure due to low entry barriers.

The rating, however, favorably factors in the longstanding experience of the promoters in the cotton trading industry through other associate concerns and the favorable location of the company in Rajkot, Gujarat providing easy access to quality raw material (raw cotton).

Company Profile

Incorporated in June 2013, Natvar Cotex Pvt. Ltd. (NCPL) is engaged in cotton ginning and pressing activities at its manufacturing facility located at Rajkot in Gujarat. The plant is equipped with 30 ginning machines and 1 pressing machine with a production capacity of ~300 bales per day (1 bale=170 kg) translating to ~51 Metric Tonnes Per Day (MTPD). NCPL is a private limited company with the promoters having extensive experience in the cotton industry as they were earlier involved in trading of raw cotton.

Recent Results

During FY2015, NCPL reported an operating income of Rs. 61.49 crore and profit after tax of Rs. 0.09 crore as against the operating income of Rs. 16.32 crore and profit after tax of Rs. 0.05 crore during four months of operations in FY2014. As per provisional financials, the company reported an operating income of Rs. 63.96 crore and profit before depreciation and tax of Rs. 0.87 crore during first eleven months of FY2016.

April 2016

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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