

Arihant Spintex Private Limited

Instrument	Amount in Rs. Crore [^]	Rating Action
Fund Based Limits- Term Loan	23.31	[ICRA]BB- (Stable); assigned
Fund Based Limits- Cash Credit	3.94	[ICRA]BB- (Stable); assigned
Non Fund Based Limits- Bank Guarantee	0.75	[ICRA]A4; assigned

ICRA has assigned its long-term rating of [ICRA]BB- (pronounced ICRA double B minus) to the Rs. 27.25 crore fund based facilities of Arihant Spintex Private Limited (ASPL). ICRA has also assigned its short term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs 0.75 crore non fund based facilities of ASPL. The outlook on the long term rating is 'Stable'.

ICRA's ratings are constrained by the moderate scale of ASPL's operations and the limited experience of the promoters in the yarn manufacturing business. The ratings also take into account the commoditised nature of the company's product coupled with fragmented industry structure which leads to limited pricing power and hence keeps profitability under check. Further, the company is also exposed to the regulatory risks and volatility in the raw material prices.

The ratings, however, favorably factor in the company's proximity to cotton growing areas of Punjab which provides competitive advantage; subsidy under Technology Upgradation Fund Scheme (TUFS) which supports profitability along with the low working capital intensive nature of operations. Going forward, the ability of the company to increase its scale of operations and bring about an improvement in its profitability and coverage ratios will be the key rating sensitivities

Company Profile

Arihant Spintex Private Limited, incorporated in May 2014, began commercial production of cotton yarn in September, 2014 at its manufacturing unit located at Amlah (Punjab). The company's production capacity stands at 9000 metric tonnes per annum (MTPA). The company currently has 3136 rotors installed in the plant and manufactures cotton yarn of 6-24 counts. The main raw material used is cotton and cotton waste which is procured from traders and ginneries in the region of Haryana, MP and Maharashtra. The major markets for the company are Haryana, Punjab and UP.

Recent Results

During the period from September 2014 to March 2016, ASPL reported an operating income of Rs 30.14 crore and a net profit of Rs 0.01 crore.

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[^] 100 lakh = 1 crore = 10 million



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