

Omax Cotspin Private Limited

Instrument	Amount	Rating Action
Cash Credit	Rs. 12.50 crore	[ICRA]BB+ (stable); revised from [ICRA]BB-
Term Loan	Rs. 29.32 crore	[ICRA]BB+ (stable); revised from [ICRA]BB-
Bank Guarantee	Rs. 2.50 crore	[ICRA]A4+; revised from [ICRA]A4
EPC cum FBP/FBD	Rs. 14.00 crore	[ICRA]A4+; revised from [ICRA]A4
FLC *	Rs. (5.00) crore	[ICRA]A4+; revised from [ICRA]A4

*Sub limit of cash credit

ICRA has revised the long-term rating assigned to the Rs. 41.82-crore¹ long-term facilities of Omax Cotspin Private Limited (OCPL)² to [ICRA]BB+ (pronounced ICRA double B plus) from [ICRA]BB- (pronounced ICRA double B minus). ICRA has also revised the short-term rating assigned to the Rs. 16.50-crore non-fund based short-term facilities to [ICRA]A4+ (pronounced ICRA A four plus) from [ICRA]A4 (pronounced ICRA A four).

The revised rating favourably considers the established track record of OCPL's promoters in the cotton industry through group concern 'Patel Cotton Industries' (rated [ICRA]BB-) and operational support extended by the same for procurement of quality raw cotton for its predominantly export customers. The ratings also positively consider OCPL's revenues generated from diversified markets consisting of domestic as well as exports customers and a strong clientele base of reputed global garment retailers like H&M, Decathlon, Arvind Ltd., etc. Further, the rating takes positive cues from consistent growth in operating income due to strong demand from OCPL's customers leading to a steady increase in production levels for the past four years. This has led to a better financial risk profile with improvements seen in gearing levels and coverage indicators.

However, the ratings are constrained by the company's susceptibility towards price fluctuation risk which has been witnessed in the recent past as cotton prices were highly volatile and OCPL's limitation to fully pass on the increased price burden to customers due to intense competition and fragmented nature of the industry. ICRA also notes the vulnerability of the company's growth towards cyclicalities prevailing in the textile industry, which is likely to lead to fluctuations in demand. Moreover, as the company derives a significant part of its revenue through exports; it is also vulnerable to foreign exchange fluctuation risks despite the company's mitigating the risk through partial hedging.

Company Profile

Omax Cotspin Private Limited (OCPL) was incorporated in May 2011 by Mr. Jayesh Patel and Mr. Arun Patel. With significant experience of the promoters in the cotton industry through group concern 'Patel Cotton Industries' and considering positive prospects, the promoters planned for a forward integration by setting up a spinning unit to manufacture 24s-40s combed hosiery yarn. OCPL was initially established with the plan of installing a cotton ring spinning plant with an installed capacity to manufacture 3500 MTPA of 30s -40s combed hosiery yarn at 36s count by utilising 17952 spindles which was further expanded to 24480 spindles at an overall enhanced capacity of 5220 MTPA at 36s count in March 2014.

Recent Results

For the year ended March 31, 2016, the company reported an operating income of Rs.167.95 crore and a PAT of Rs. 5.96 crore.

September 2016

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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