Press Release

Shri Ganesh Textile and Infrastructure (India) Private Limited (STIPL)

03 July, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.34.50 Cr
Long Term Rating	SMERA B+/Stable (Upgraded from SMERA D)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the rating on the above mentioned bank facilities of Shri Ganesh Textile and Infrastructure (India) Private Limited (STIPL) to **'SMERA B+' (read as SMERA B plus)** from 'SMERA D' (read as SMERA D). The outlook is **'Stable'**. The upgrade is on account of timely repayment of debt obligations in the last three months.

STIPL, incorporated in 2006 is a Maharashtra-company promoted by Mr. Subhash Deore and Mr. Vilas Deore. The company was initially into construction and in 2011 ventured into manufacturing of cotton yarn. The spinning mill has an installed capacity of 17,500 spindles.

List of key rating drivers and their detailed description

Strengths:

Experienced management: STIPL was incorporated in 2006. The promoters, Mr. Subhash Deore and Mr. Vilas Deore possesses over a decades experience in the textile industry.

Locational advantage: STIPL enjoys locational advantage since the manufacturing facility is located in Dhule, the textile cluster of Maharashtra.

Comfortable gearing: STIPL has moderate gearing (debt to equity ratio) which improved to 1.62 times as on 31 March, 2017 (Provisional) from 2.76 times as on 31 March, 2016. The same is expected to remain comfortable in the medium term.

Weaknesses:

Modest scale of operations with stagnancy in revenue: STIPL's revenues have remained stagnant during the period under study. The company reported operating income of Rs. 77.01 crore in FY2016 as against Rs. 78.54 crore in the previous year. Further, as per FY2017 (Provisional financials) STIPL reported operating income of Rs. 80.69 crore.

Below average coverage indicators: STIPL has below average coverage indicators marked by interest coverage ratio (ICR) of 2.44 times in FY2017 (Provisional) as against 1.81 times in FY2016. The debt service coverage ratio (DSCR) is low and stood at 0.95 times in FY2017 (Provisional) as against 0.80 times in FY2016. The low DSCR is on account of inadequate net cash accruals of Rs. 4.34 crore as against debt obligation of Rs. 4.80 crore payable in FY2017. Going ahead, though the net cash accruals are expected to improve in FY2018, the debt obligation increased to Rs. 6.00 crore which keep the coverage indicators under pressure.

Susceptibility of profitability to volatility in raw material prices: Raw cotton prices are highly volatile in nature and are largely depend on factors like area under cultivation, monsoon, crop yield, international demand-supply scenario, export quota decided by the government and inventory carry forward of the previous year. Cotton is the major raw material for spinning mills and volatility in the prices of cotton impacts profitability. Further, the company operates in a highly competitive and fragmented cotton industry with several organised and unorganised players.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that STIPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of further improvement in scale of operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity

For FY2015-16, the company registered profit after tax (PAT) of Rs.0.15 crore on operating income of Rs.77.01 crore as against net profit after tax of Rs.1.18 crore on operating income of Rs.78.54 crore in the previous year. The net worth stood at Rs.10.98 crore as on 31 March, 2016 as compared to Rs.7.81 crore as on 31 March, 2015.

Further, for FY2016-17 (Provisional) STIPL registered profit after tax (PAT) of Rs.1.37 crore on operating income of Rs.80.69 crore. The networth stood at 14.35 crore as on 31 March, 2017 (Provisional).

Applicable Criteria

- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Application of Financial Ratios & Adjustments - https://www.smera.in/criteria-fin-ratios.htm
- Default Recognition - https://www.smera.in/criteria-default.htm

Note on complexity levels of the rated instrument: https://www.smera.in/criteria-complexity-levels.htm

Status of non-cooperation with previous CRA (if applicable): None

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2018			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	29.00	SMERA B+/Stable (Upgraded from SMERA D)	23 Nov, 2016	SMERA D (Downgraded)	12 Aug, 2015	SMERA BB/Stable (Assigned)	-	-
Cash Credit	LT	5.50	SMERA B+/Stable (Upgraded from SMERA D)	23 Nov, 2016	SMERA D (Downgraded)	12 Aug, 2015	SMERA BB/Stable (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs in crore)	Ratings/ Outlook
Term Loan	NA	NA	March 2019	29.00	SMERA B+/Stable (Upgraded from SMERA D)
Cash Credit	NA	NA	NA	5.50	SMERA B+/Stable (Upgraded from SMERA D)

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.