

Press Release

DHARA SREE GINNING & PRESSING FACTORY

November 08, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA D**' (**read as SMERA D**) on the Rs. 9.00 crore bank facilities of DHARA SREE GINNING AND PRESSING FACTORY.

Dhara Sree Ginning & Pressing Factory (DSGPF), is a Hyderabad-based partnership firm established in 2011 by Mr. H. Venkartarami Reddy, Ms Vijayalaxmi, Mr. A Sainath Reddy and others. The firm commenced commercial operations in ginning from July 2012 at Hyderabad. The installed capacity stands at 30 cotton gins. The firm caters to customers in Coimbatore.

Key Rating Drivers

Strengths

- **Experienced management**

DSGPF was established in 2011. The partners, Mr. Venkatrami Reddy and Mrs. Vijayalaxmi Reddy possess experience of around 25 years in the industry.

Weaknesses

- **Delays in debt servicing**

The rating reflects delays in servicing of debt obligations on account of delay in receivables and the stretched liquidity position of the firm.

- **Stretched liquidity position**

The liquidity position of the firm is stretched marked by 100 per cent utilisation of bank limits for the last six months ended October, 2017 and working capital limits being over drawn for more than two months. However, the working capital cycle days are comfortable at 9 days in FY2017 (Provisional) as against 28 days in FY2016. The inventory holding period stood at 19 days in FY2017 (Provisional) as against 24 days in FY2016. The debtor days stood at 15 days in FY2017 (Provisional) as against 23 days in FY2016. However, the Gross current asset days stood at 42 days in FY2017 (Provisional) as against 52 days in FY2016.

- **Weak financial risk profile**

The financial risk profile is weak marked by low net worth of Rs.1.59 crore as on 31 March, 2017 (Provisional) as against Rs. 2.45 crore in FY2016. The gearing stood high at 3.87 times as on 31 March, 2017 (Provisional) as against 3.21 times in the previous year. The total debt outstanding as on 31 March, 2017 of Rs. 6.17 crore comprises Rs. 1.32 crore as a term loan, Rs. 0.14 crore as unsecured loan and Rs. 4.72 crore as working capital borrowing. The ICR is comfortable at 1.90 times in FY2017 (Provisional) as against 2.04 times in FY2016. The DSCR is also comfortable at 1.90 times in FY2017 (Provisional). The net cash accruals stood at Rs. 0.62 crore in FY2017 as against Rs. 0.71 crore in FY2016. The NCA/TD stood at 0.10 times in FY2017 (Provisional) as against 0.09 times in FY2016.

- **Volatility in raw material prices and government regulations**

The upper limit on the prices of raw cotton are fixed by the government through Minimum Support Price

(MSP). Adverse movements in cotton prices further impacts the profitability of the firm.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Dhara Sree Ginning & Pressing Factory to arrive at the rating.

Outlook:

About the Rated Entity - Key Financials

For FY2016-17(Provisional), DSGPF reported net profit of Rs.0.06 crore on operating income of Rs.42.10 crore compared with net profit of Rs. 0.05 crore on operating income of Rs.49.97 crore in FY2015-16. The net worth stood at Rs.1.59 crore for FY2016-17 (Provisional) as against Rs.2.45 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Aug-2016	Cash Credit	Long Term	INR 5	SMERA D
	Term Loan	Long Term	INR 4	SMERA D
05-Oct-2015	Term Loan	Long Term	INR 4	SMERA B+ / Stable
	Cash Credit	Long Term	INR 5	SMERA B+ / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA D
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA D

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Namita Palve Executive Analyst - Rating Operations Tel: 022-67141129 namita.palve@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.