

## Press Release

### Dhara Sree Ginning & Pressing Factory

January 02, 2019

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 9.00 Cr.
<b>Long Term Rating</b>	ACUITE B- / Outlook: Stable (Upgraded from ACUITE D/)

\* Refer Annexure for details

### Rating Rationale

Acuite has upgraded long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) from **ACUITE D** on the Rs. 9.00 crore bank facilities of Dhara Sree Ginning & Pressing Factory. The outlook is '**Stable**'.

The rating upgrade is driven by regularization of account in terms of repayment of debt obligation as confirmed by the banker and gradual improvement in the financial risk profile of the firm.

Dhara, established in 2011, is a Hyderabad-based partnership firm promoted by Mr. H. Venkartarami Reddy. The firm commenced commercial operations in ginning of cotton from July 2012 at its unit at Hyderabad. The installed capacity is 30 cotton gins. The firm caters to customers in Coimbatore (Tamil Nadu).

### Analytical Approach

Acuite has considered standalone business and financial risk profile of Dhara to arrive at the rating.

## Key Rating Drivers

### Strengths

- **Experienced management**

The Partners, Mr. Venkatrami Reddy and Mrs. Vijaylaxmi Reddy have experienced of around 25 years in the same industry.

- **Gradual Improvement in financial risk profile**

The firm's financial risk profile is improving steadily with net worth of Rs.2.10 crore as on 31 March, 2018 as against Rs.1.57 crore in FY2017. The gearing improved to 2.48 times in FY2018 as against 3.95 times in FY2017. The Interest coverage ratio stood at 1.99 times in FY2018 as against 1.66 times in FY2017. The net cash accruals stood at Rs.0.51 crore in FY2018 as against Rs.0.45 crore in FY2017. The NCA/TD stood at 0.10 times in FY2018 as against 0.07 times in FY2017. However, Liquidity position of firm remains stretched as cash credit is fully utilized currently.

### Weaknesses

- **Declining revenue trend:**

The revenues of the firm are continuously into declining trend during the period under the study. The operating income stood at Rs.17.96 crore in FY2018 as against Rs.41.74 crore in FY2017, Rs.49.97 crore in FY2016. The revenues are into declining trend due to bad crop and severe drought in Adoni region of Andhra Pradesh for last two years. Also, the firm faces stiff competition from other players in the same region

- **Susceptibility of margins to volatility in raw material prices:**

Profitability remains susceptible to volatility in prices of raw material, which accounts for a significant portion of cost of sales. Also, the production of cotton is highly dependent upon the monsoon. Inadequate rainfall would impact its revenue and margins significantly.

### Outlook: Stable

Acuite believes that Dhara will maintain a Stable credit risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of sustained increase in revenues while maintaining its financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in profitability.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.96	41.74	49.97
EBITDA	Rs. Cr.	0.98	1.13	1.36
PAT	Rs. Cr.	0.01	-0.12	0.05
EBITDA Margin	(%)	5.44	2.70	2.73
PAT Margin	(%)	0.07	-0.28	0.10
ROCE	(%)	7.00	6.31	14.22
Total Debt/Tangible Net Worth	Times	2.48	3.95	3.21
PBDIT/Interest	Times	1.99	1.66	2.04
Total Debt/PBDIT	Times	5.09	5.43	5.65
Gross Current Assets (Days)	Days	96	60	59

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

### Note on complexity levels of the rated instrument

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

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Nov-2017	Term Loan	Long Term	INR 4	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	INR 5	ACUITE D (Reaffirmed)
02-Aug-2016	Cash Credit	Long Term	INR 5	ACUITE D (Downgraded)
	Term Loan	Long Term	INR 4	ACUITE D (Downgraded)
05-Oct-2015	Term Loan	Long Term	INR 4	ACUITE B+ / Stable (Assigned)
	Cash Credit	Long Term	INR 5	ACUITE B+ / Stable (Assigned)

**\*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	ACUITE B- / Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B- / Stable (Upgraded)

**Contacts**

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a></p> <p>Praveen Kumar Analyst - Rating Operations Tel: 022-49294041 <a href="mailto:praveen.kumar@acuiteinratings.in">praveen.kumar@acuiteinratings.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.