

**May 25, 2016**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.50	SMERA B/Stable (Assigned)
Term Loan	3.60	SMERA B/Stable (Assigned)
Cash Credit (Proposed)	1.50	SMERA B/Stable (Assigned)
Facilities (Proposed)	1.40	SMERA B/Stable/SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA single B)** and short-term rating of '**SMERA A4' (read as SMERA A four)** to the Rs.8.00 crore bank facility of Giriraj Cotex Ginning & Pressing (GCGP). The outlook is '**Stable**'. The rating is constrained by the firm's nascent phase and modest scale of operations, working capital intensive operations and its operations in highly competitive and fragmented cotton ginning industry. The rating also factors in susceptibility of the firm's profit margins to volatility in raw material prices. However the ratings draw comfort from the firm's promoter's extensive industry experience and strategic location.

Established in 2014, GCGP is engaged in manufacturer of cotton bales and cotton seeds and has recently started its commercial operations from October, 2015. Further, for FY 2015-16, GCGP have reported modest revenues of around Rs. 12.34 crore. The operations of firm are working capital intensive in nature prudent by gross current asset days of ~83 days in FY 2015-16.

The firm is operating in highly competitive and fragmented cotton ginning industry wherein it is closely competing with numerous small as well as large cotton ginners in the nearby vicinity of its cotton ginning unit i.e. Wardha, Maharashtra. Along with high competition the firm's profit margins are susceptible to volatility in prices of raw materials viz. raw cotton (Kappas).

However, the firm benefits from its promoters extensive industry experience as its key promoter of i.e. Mr. Rajesh M Vyas who has more than four decades of experience of cotton industry and SMERA believes that the company would sustain its existing business risk profile on the back of its promoter's extensive experience of the cotton industry. Further, GCGP factory unit is located in proximity of cotton growing areas in Wardha, Maharashtra ensuring abundant availability of raw material and labour.

### Rating Sensitivity Factors

- Substantial and sustainable growth in the revenues or operating margins
- Efficient working capital management
- Price trends of key raw material

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### Outlook – Stable

SMERA believes that GCGP would continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if in case the GCGP reports substantial and sustainable revenues or operating margins going forward resulting into improvements in its existing business risk profile. Conversely, the outlook may be revised to 'Negative' if in case the GCGP's working capital cycle further elongates resulting into weakening of its existing financial risk profile especially its liquidity.

### About the Company

Established in 2014, GCGP is a partnership firm promoted by Mr. Rajesh M Vyas and family of Wardha, Maharashtra. The firm is engaged in manufacturer of cotton bales and cotton seeds and has recently started its commercial operations from October, 2015. The factory unit is located in proximity of cotton growing areas in Wardha, Maharashtra and has capacity to manufacturer 240 cotton bales per day.

The present partners of the firms are Mr. Vinod Kumar M Vyas, Mr. Gaurav R Vyas, Mr. Madhav R Vyas, Mr. Rajesh M Vyas and Mr. Shubham V Vyas.

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