

### Shri Krishna Ginning & Pressing: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Term Loan	2.80	SMERA B+/Stable (Assigned)
Cash Credit	2.70	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.5.50 crore bank facilities of Shri Krishna Ginning & Pressing (SKGP). The outlook is '**Stable**'.

The rating is constrained by the firm's nascent stage of business and modest scale of operations. The rating is also constrained by the high gearing and susceptibility of margins to raw material price fluctuations. However, the rating draws comfort from the extensive industry experience of the promoter and strategic location of the manufacturing facilities.

Established in 2014, SKGP is engaged in cotton ginning and pressing. The firm reported modest revenue of around Rs.36.66 crore in FY2015-16 as against Rs.10.36 crore in FY2014-15. The gearing has been high at around 2.12 times as on March 31, 2016. The above rating is also constrained to susceptibility of margins to volatility in raw material prices.

However, the firm benefits from its promoter's extensive industry experience. Mr. Deepak Batra, the promoter has more than a decade's experience in the cotton industry. The factory is located in close proximity to cotton growing areas in Wardha, Maharashtra ensuring abundant availability of raw material.

#### Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Price trends of key raw material
- Comfortable capital structure

#### Outlook-Stable

SMERA believes that SKGP will continue to maintain a stable outlook over the medium term owing to its promoter's extensive industry experience. The outlook may be revised to 'Positive' in case the firm reports substantial and sustainable revenues or operating margins resulting in improvement in its existing business risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates resulting in weakening of its existing financial risk profile especially liquidity.

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

## About the Firm

Established in 2014, SKGP, a Maharashtra-based partnership firm was promoted by Mr. Deepak Batra and family. The firm's manufacturing facility with installed capacity of 240 cotton bales per day, is located in close proximity to cotton growing areas at Wardha. The other partners of the firm are Mr. Suraj Kumar Batra, Ms Priti Suraj Batra and Ms. Madhu Batra.

For FY2015-16, SKGP reported net profit of Rs.0.74 crore on operating income of Rs.36.66 crore as compared with net loss of Rs.0.09 crore on operating income of Rs.10.36 crore in FY2014-15.

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