



## Press Release

### Shri Krishna Ginning & Pressing (SKGP)

14 October, 2017

### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 6.30 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 5.96 crore bank facility and assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 0.34 crore bank facility of Shri Krishna Ginning and Pressing (SKGP). The outlook is '**Stable**'.

Established in 2014, SKGP is a partnership firm established by Mr. Deepak Kumar Batra and family. The Maharashtra-based firm manufactures cotton bales and seeds at its factory near Wardha. The firm, led by Partners, Mr. Deepak Kumar Batra, Mr. Suraj Kumar Batra, Ms Priti Suraj Batra and Ms. Madhu Batra has manufacture capacity of 42500 quintals of cotton bales and 700 quintals of cotton seeds per year.

### Key Rating Drivers

#### Strengths

- **Experienced management**

Mr Deepak Batra, the key partner, has experience of almost a decade in the aforementioned line of business and has developed healthy relations with customers and suppliers.

SMERA believes that the business risk profile of the firm would improve over the medium term on account of its promoter's extensive industry experience and his relations with customers and suppliers.

- **Abundant availability of raw material and labour**

The firm benefits from the abundant availability of raw material and labour since the facility is in close proximity to the cotton growing belt of Maharashtra i.e. Vidarbha. SMERA believes that the firm will continue to benefit over the medium term since it is closer to the cotton growing belts.

#### Weaknesses

- **Decline in profitability margins**

The operating margins declined from 4.41 percent (FY2015-16) to 3.78 percent (FY2016-17) and are susceptible to volatility in raw material prices. The PAT margin of the firm declined from 2.03 percent (FY2015-16) to 1.96 percent (FY2016-17) due to increase in interest expenses.

• **Average financial risk profile**

The financial risk profile of the firm is average. The gearing stood moderately high at 2.12 times as on 31 March, 2017 as against 1.80 times as on 31 March, 2016. The Interest coverage ratio stood at 3.52 times in FY2016-17 as against 3.78 times in FY2015-16. The DSCR stood at 2.51 times in FY2016-17 as against 1.58 times in FY2015-16. The total debt of Rs.7.26 crore majorly consists of working capital facilities and term loans. The ratio of Net Cash Accruals (NCA) to Total Debt stood at 0.15 times for FY2016-17 as against 0.28 times for FY2015-16. The RoCE fell from 17.65 percent in FY2015-16 to 14.47 percent in FY2016-17.

• **Presence in a highly competitive industry**

The firm operates in a highly competitive and fragmented textile industry with several small and large players.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profile of the entity.

**Outlook: Stable**

SMERA believes that SKGP will 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 SKGP reports sustainable revenues, operating margins and is able to maintaining healthy profitability margins and efficient working capital management. Conversely the outlook may be revised to 'Negative' if the working capital cycle elongates resulting in weakening of its financial risk profile.

**About the Rated Entity - Key Financials**

For FY2016-17, SKGP reported net profit of Rs.0.80 crore on operating income of Rs.40.75 crore compared with net profit of Rs.0.74 crore on operating income of Rs.36.66 crore in FY2015-16. The net worth stood at Rs.3.29 crore for FY2016-17 as against Rs.2.38 crore a year earlier.

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
04-Oct, 2016	Cash Credit	Long Term	INR 2.70	SMERA B+/Stable (Assigned)
	Term Loan	Long Term	INR 2.80	SMERA B+/Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	31-May-2021	2.46	SMERA B+ / Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.34	SMERA B+ / Stable (Assigned)

**Contacts**

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Shalini Sekar Analyst - Rating Operations Tel: 080-46634620 <a href="mailto:shalini.sekar@smera.in">shalini.sekar@smera.in</a>	

**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](http://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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.