

Press Release

Shri Krishna Ginning & Pressing

January 16, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 6.30 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 6.30 crore bank facilities of Shri Krishna Ginning & Pressing (SKGP). The outlook is '**Stable**'.

The Maharashtra-based, SKGP was established in 2014 as a partnership firm by, Mr. Deepak Batra, Ms. Madhu Batra, Mr. Suraj Kumar Batra and Ms. Priti Suraj Batra. The firm is engaged in ginning and pressing of cotton. The manufacturing facility is located at Wardha (Maharashtra) with installed capacity of 250 bales per day.

Analytical Approach

Acuite has taken a standalone view of the financial and business risk profile of SKGP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The Partners have experience of a decade in cotton ginning industry. The experience helped to develop good understanding of local markets and establish a healthy relationship with customers and farmers.

- **Moderate working capital operations**

The operation of SKGP is marked by Gross Current Assets (GCA) of 38 days in FY2018 as against 101 days in FY2017. This is majorly on account of inventory holding period of 14 days in FY2018 as against 80 days in FY2017. The debtor days stood at 23 in FY2018. The average bank limit utilisation stood at 90-95 percent during peak season and 60-70 percent during non-peak season. Acuite expects, the ability of the firm to efficiently manage its working capital requirements will remain key rating sensitivity.

Weaknesses

- **Decline trend in margins**

SKGP experienced downward trend in margins i.e. operating margins as well as net profit margins. The operating margins stood at 1.72 percent in FY2018 as against 3.78 percent in FY2017 as against 4.41 percent in FY2016. Further, the net profitability margins decreased at 0.49 percent in FY2018 as against 1.96 percent in FY2017.

- **Agro climatic risks**

Cotton, which is the main raw material required for ginning, is a seasonal crop and production of the same is highly dependent upon monsoon. Thus, inadequate rainfall may affect the availability of raw cotton in adverse weather conditions.

- **Competitive and fragmented business**

The cotton industry is highly competitive with multiple players coupled with low entry barriers resulting into intense competition from both the organised as well as unorganised players.

Outlook: Stable

Acuite believes that SKGP will maintain a 'Stable' outlook over the medium term owing to its experienced management in ginning industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving its operating and profitability margins. Conversely, the outlook may be revised to 'Negative' if the firm's profit margins decline in the medium term owing to fluctuations in raw material prices and deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	58.56	40.75	36.66
EBITDA	Rs. Cr.	1.00	1.54	1.62
PAT	Rs. Cr.	0.29	0.80	0.74
EBITDA Margin	(%)	1.72	3.78	4.41
PAT Margin	(%)	0.49	1.96	2.03
ROCE	(%)	7.47	14.47	35.15
Total Debt/Tangible Net Worth	Times	1.73	2.21	1.80
PBDIT/Interest	Times	2.41	3.52	3.79
Total Debt/PBDIT	Times	5.36	4.62	2.64
Gross Current Assets (Days)	Days	38	101	49

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
14-Oct-2017	Cash Credit	Long term	3.50	ACUITE B+/ Stable (Reaffirmed)
	Term Loan	Long term	2.46	ACUITE B+/ Stable (Reaffirmed)
	Proposed Long term Loan	Long term	0.34	ACUITE B+/ Stable (Reaffirmed)
04-Oct-2016	Cash Credit	Long term	2.80	ACUITE B+/ Stable (Assigned)
	Term Loan	Long term	2.70	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00 (Enhanced from Rs.2.46)	ACUITE B+ / Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.30 (Revised from Rs.3.50)	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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