

Siddhivinayak Cottex: Assigned

| Facilities | Amount (Rs. Crore) | Rating/Outlook |
|-------------|--------------------|---------------------------|
| Term Loan | 2.70 | SMERA B/Stable (Assigned) |
| Cash Credit | 3.70 | SMERA B/Stable (Assigned) |

SMERA has assigned rating of '**SMERA B**' (read as **SMERA B**) on the Rs.6.40 crore bank facilities of Siddhivinayak Cottex (SC). The outlook is '**Stable**'.

The rating is constrained by the firm's nascent stage of business and modest scale of operations. The rating also factors in the weak capital structure 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.

Established in 2015, SC is engaged in cotton ginning and pressing from February, 2016. For FY2015-16, the firm reported modest revenues of around Rs.9.26 crore. The firm has weak capital structure with low net worth of Rs.1.56 crore as against debt of Rs.6.92 crore (gearing of 4.45 times) as on March 31, 2016. The above rating is also constrained by the susceptibility of margins to volatility in the prices of cotton.

However, the firm benefits from the promoters extensive industry experience. Mr. Deepak Rajpuriya, possesses more than a decades experience in the cotton industry. Besides, the factory is in close proximity to cotton growing areas in Umred, Maharashtra ensuring abundant availability of raw material.

Rating Sensitivity Factors

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

Outlook-Stable

SMERA believes that SC will maintain a stable outlook and benefit over the medium term from its promoters 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 further 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 2015, the Maharashtra-based SC is a partnership firm promoted by Mr. Deepak G Rajpuriya and Mr. Shyamsunder J Batra. The firm commenced commercial operations from February, 2016 in cotton ginning and pressing to produce cotton bales and seeds. The firm has a capacity to manufacture 240 cotton bales per day and the factory is located at Umred.

SC reported net profit of Rs.0.28 crore on operating income of Rs.9.26 crore for two months period ended as on March 31, 2016.

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ABOUT SMERA

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