

Press Release

SIDDHIVINAYAK COTTEX (SC)

12 January, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 6.40 Cr.
Long Term Rating	SMERA B+/ Stable (Upgraded from SMERA B/Stable)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the Rs. 6.40 crore bank facilities of Siddhivinayak Cottex (SC) to **'SMERA B+' (read as SMERA B plus)** from **'SMERA B' (read as SMERA B)**. The outlook is **'Stable'**.

Established in 2015, Siddhivinayak Cottex is a partnership firm engaged in cotton ginning and pressing at Umred, Nagpur. The firm has an installed capacity of 220 bales per day (i.e 970 quintals per day). The commercial operations commenced from February, 2016.

Key rating drivers

Strengths

Experienced management

The promoters, Mr. Shyamsunder Jivandas Batra and Mr. Deepak Ghanshyamdas Rajpuriya have experience of more than three years in the textile industry and over a decade in the electrical industry.

Abundant availability of raw material and labour

The firm benefits from the abundant availability of raw material and labour on account of the proximity to the cotton growing belt of Maharashtra - Vidarbha. SMERA believes that the firm would continue to benefit over the medium term on account of the above.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 122 days in FY2017 compared to 231 days in FY2016. The GCA days are mainly dominated by high inventory of 80 days in FY2017. Further, the firm does not enjoy much credit from suppliers. The firm usually relies on available bank limits to fund its working capital requirements. The average cash credit utilisation for the past six months stood at ~92 percent. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Highly competitive and fragmented textile industry

The firm is exposed to intense competition in the fragmented textile industry with a large number of organised and unorganised players affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SC to arrive at the rating.

Outlook – Stable

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

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.54	9.26
EBITDA	Rs. Cr.	1.40	0.67
PAT	Rs. Cr.	0.56	0.19
EBITDA Margin	(%)	5.26	7.26
PAT Margin	(%)	2.12	2.06
ROCE	(%)	10.80	10.48
Total Debt/Tangible Net Worth	Times	2.53	5.12
PBDIT/Interest	Times	3.10	4.25
Total Debt/PBDIT	Times	1.59	3.66
Gross Current Assets (Days)	Days	122	231

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
05-Oct, 2016	Term Loan	Long Term	2.70	SMERA B/Stable (Assigned)
	Cash Credit	Long Term	3.70	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
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.70	SMERA B+/ Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA B+/ Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Manmitha Sodhi, Rating Analyst, Tel: +91-22-6714 1133 Email: manmitha.sodhi@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

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