

## Press Release

Siddhivinayak Cottex

August 12, 2022



### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.40	ACUITE BB-   Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	6.40	-	-

### Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.6.40 Cr. bank facilities of Siddhivinayak Cottex. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings

### About the Company

Established in 2015, Siddhivinayak Cottex is a Maharashtra-based partnership firm engaged in cotton ginning and pressing. The day to day operations are managed by its partners, Mr. Deepak G Rajpuriya and Mr. Shyamsunder J Batra. The firm has a manufacturing unit in Umred, Maharashtra with a production capacity of 240 cotton bales per day.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SC to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### Experienced management

SC started its operations in 2016 under the leadership of its partners, Mr. Deepak G Rajpuriya and Mr. Shyamsunder J Batra. Both the partners have an industry experience of over two decades. The extensive experience has enabled the firm forge healthy relationships with customers and suppliers. The firm sells its products in the domestic market only with majority of the revenues driven from the sales of cotton bales (70-75%) and balance by way of cotton seeds. Major customers include Vardaman Textiles, KPR Industries, PV Textile Ltd among others.

Acuite believes that the firm will continue to benefit from its experienced management and established relationships with its customers and suppliers.

##### Efficient Working Capital Management

The working capital operations of the company is marked efficient by Gross Current Asset

(GCA) days of 59 days as on March 31, 2021 as against 63 days in as on March 31, 2020. The inventory holding period stood high at 45 days as on March 31, 2021 as against 32 days as on March 31, 2020. The debtor days stood low at 11 days as on March 31, 2021 as against 29 days as on March 31, 2020. The creditors day stood at 11 days as on March 31, 2021 as against 34 days as on March 31, 2020.

The debtor and inventory days stood at 11 days and 29 days respectively as on March 31, 2022 (prov).

Acuite believes efficient management of working capital operations will be crucial to the firm in order to maintain a healthy risk profile

### **Weaknesses**

#### **Modest Financial risk profile**

The financial risk profile of the company is modest marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.9.05 as on 31 March 2022(prov) as against Rs.5.82 as on 31 March 2021 as against Rs.4.43 crore as on 31 March, 2020. Total debt of the company stood at Rs.5.20 cr in as on March 31, 2022(prov) as against RS. 8.90 Cr as on March 31, 2021 and Rs.3.82 Cr as on March 31, 2020. Gearing (debt-equity) stood low at 0.57 times as on 31 March 2022(prov) as against 1.53 times as on 31 March 2021 and 0.86 times as on 31 March, 2020. The debt protection metrics of the firm is moderate with interest coverage ratio of 2.00 times for FY2022(prov) as against 5.57 times for FY2021 and 2.70 times for FY2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.14 times for FY2022 (prov) as against 0.19 times for FY2021 and 0.12 times for FY2020.

#### **Inherent risk of capital withdrawal**

SC is exposed to the risk of capital withdrawal considering its partnership constitution. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

### **Rating Sensitivities**

- Improvement in scale of operations while maintaining the profitability margins and capital structure
- Elongation of working capital cycle

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company's liquidity profile is adequate marked by adequate net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs. 1.72 Cr in FY2021 as against maturing debt obligation of 0.43 Cr. The firm maintains unencumbered cash and bank balances of Rs. 0.12 crore as on March 31, 2021. The current ratio of the company stood at 1.24 times as on March 31, 2021.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	55.81	38.17
PAT	Rs. Cr.	1.40	0.29
PAT Margin	(%)	2.51	0.75
Total Debt/Tangible Net Worth	Times	1.53	0.86
PBDIT/Interest	Times	5.57	2.70

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

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 May 2021	Cash Credit	Long Term	3.70	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
	Term Loan	Long Term	1.52	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
	Proposed Bank Facility	Long Term	1.18	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
24 Feb 2020	Proposed Bank Facility	Long Term	1.18	ACUITE B+   Stable (Reaffirmed)
	Cash Credit	Long Term	3.70	ACUITE B+   Stable (Reaffirmed)
	Term Loan	Long Term	1.52	ACUITE B+   Stable (Reaffirmed)
25 Jan 2019	Term Loan	Long Term	1.52	ACUITE B+   Stable (Reaffirmed)
	Cash Credit	Long Term	3.70	ACUITE B+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.18	ACUITE B+   Stable (Reaffirmed)
12 Jan 2018	Term Loan	Long Term	2.00	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Cash Credit	Long Term	3.70	ACUITE B+   Stable (Upgraded from ACUITE B   Stable)
	Proposed Bank Facility	Long Term	0.70	ACUITE B+   Stable (Assigned)
05 Oct 2016	Term Loan	Long Term	2.70	ACUITE B   Stable (Assigned)
	Cash Credit	Long Term	3.70	ACUITE B   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.70	ACUITE BB-   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.18	ACUITE BB-   Reaffirmed & Withdrawn
Bank of Baroda	Not Applicable	Term Loan	10-01-2015	11.05	10-01-2022	1.52	ACUITE BB-   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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