

Press Release

22 March, 2017

Prakash Whitegold Ginners Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.5.60 Cr.
Long Term Rating	SMERA B/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.60 crore bank facilities of Prakash Whitegold Ginners Private Limited. The outlook is '**Stable**'.

Prakash Whitegold Ginners Private Limited (PWGPL) was established in 2015 by Mr. Pranay Omprakash Dalia and Mr. Prashant Premprakash Dalia. The company is engaged in the ginning and pressing of cotton. The manufacturing facility is located at Hinganghat, district of Maharashtra.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of PWGPL, Mr. Pranay Omprakash Dalia and Mr. Prashant Premprakash Dalia have extensive experience of more than a decade in the textile industry.

- **Proximity to raw material sources**

The company procures its entire raw material i.e. cotton directly from farmers or through agents in Hinganghat and Samudrapur.

- **Moderate scale of operations**

The operations are at a moderate scale. The commercial operations commenced in FY2015 and it achieved revenue of Rs.40.09 cr in FY2016. As informed by the management, the company booked revenue of Rs.25 cr in the current fiscal.

Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by low net worth of Rs. 3.28 cr in FY2016, high gearing of 2.45 times as on 31st March 2016. The interest coverage ratio is comfortable at 2.03 times. The DSCR stood at 1.57 in FY2016 while the NCA/TD stood comfortable at 0.09 times in FY2016.

- **Highly competitive and fragmented textile industry**

The company operates in a highly competitive and fragmented textile industry.

- **Susceptible operating margins**

The operating margins are susceptible to volatility in cotton prices.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of PWGPL.

Outlook: Stable

SMERA believes that PWGPL will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to Positive in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to Negative in case the company registers lower-than-expected growth in revenues and profitability, or registers deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company reported loss of Rs.0.16 cr on operating income of Rs.40.09 cr, as compared to loss of Rs.1.69 cr on operating income of Rs.4.20 cr in FY2014-15.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	2.50	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2021	3.10	SMERA B / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Abhishek Dey Rating Analyst Tel: +91 33 6620 1222 abhishek.dey@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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