

## Press Release

### Shree Nakoda Ginning And Pressing Factory

March 24, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 12.40 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 12.40 crore bank facilities of Shree Nakoda Ginning And Pressing Factory. The outlook is '**Stable**'.

Shree Nakoda Ginning & Pressing Factory (SNGPF) was established in 1996. The Madhya Pradesh-based partnership firm is engaged in the ginning and pressing of cotton bales and also sells cotton seeds. The installed manufacturing capacity stands at 3,025 cotton bales per day.

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

SNGPF is a Madhya Pradesh-based partnership firm established in 1996 by Mr. Premchand Doshi and family. The promoter has been in the ginning and pressing industry for over two decades and has developed healthy relations with customers and suppliers.

- **Y-o-Y growth in revenue**

The firm posted operating income of Rs. 67.72 cr in FY2016 as against Rs. 53.34 cr in FY2015 and Rs.48.13 cr in FY2014. The growth in revenue is mainly on account of increase in the manufacturing capacity from 800 quintals to 1500 quintals per hour. Further, the firm registered operating income of Rs.67.00 cr from April 2016 to February 2017.

- **Proximity to raw material source**

The ginning unit is located at Khargone, Madhya Pradesh, which is one of the cotton producing belts of India. This ensures timely supply of raw material.

- **Efficient working capital management and resource mobilisation**

SNGPF has GCA (Gross current assets) of 86 days for FY2016 as against 104 days for FY2015. This is mainly on account of inventory days of 23 and debtor days of 63 for FY2016. Further, the firm received capital subsidy of Rs. 0.50 cr from NABARD (National Bank for Agriculture and Rural Development) and Rs. 0.50 cr from the Madhya Pradesh government in FY2016-17 which has been utilised to repay long term loan obligation of Rs.1.09 cr outstanding as on 31 March 2016.

##### Weaknesses

- **Average financial risk profile**

SNGPF has average financial risk profile marked by moderate gearing and coverage indicators. The firm has gearing of 2.60 times as on 31 March 2016 as against 2.96 times as on 31 March 2015 wherein the total debt mainly comprises working capital borrowings. The ICR (Interest coverage ratio) stood at 1.34 times in FY2016 as against 1.37 times in FY2015. The tangible networth stood at Rs.4.78 cr as on 31 March, 2016.

• **Highly fragmented cotton ginning industry**

SNGPF faces intense competition in a highly fragmented textile industry with several organised and unorganised players.

• **Volatility in raw material prices**

The firm is exposed to fluctuations in raw material prices of cotton. Cotton prices are regulated by the government through MSP (Minimum Support Price). Any adverse movement in the prices further impacts profitability.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of SNGPF

**Outlook: Stable**

SMERA believes that SNGPF will maintain a stable outlook in the medium term owing to its experienced management and long track record of operations in the ginning industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while also improving operating profitability and the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability and revenue or deterioration in the financial risk profile.

**About the Rated Entity - Key Financials**

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.15 cr on operating income of Rs.67.72 cr, as compared with net profit of Rs.0.11 cr on operating income of Rs.53.34 cr in FY2014-15. The tangible net worth stood at Rs.4.78 cr as on March 31, 2016 as against net worth of Rs.4.16 cr a year earlier.

**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	11.80	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA BB- / Stable

**Contacts**

Analytical

Rating Desk

Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Pranali Salgaonkar Rating Analyst Tel: 022-67141127 <a href="mailto:pranali.salgaonkar@smera.in">pranali.salgaonkar@smera.in</a>	

### ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*