

Press Release

Shree Nakoda Ginning And Pressing Factory (SNGPF)

11 April, 2018

Rating Reaffirmed



Total Bank Facilities Rated	Rs.14.66 crore
Long Term Rating	SMERA BB-/ Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.14.66 crore bank facilities of Shree Nakoda Ginning And Pressing Factory (SNGPF). 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. 90.86 crore in FY2017 as against Rs. 67.72 crore in FY2016 and Rs.53.34 crore in FY2015. Further, the firm registered operating income of Rs.80.00 crore for the period April 2017 to February, 2018.

Efficient working capital management and resource mobilization

SNGPF has Gross current assets (GCA) of 68 days for FY2017 as compared to 87 days for FY2016. This is mainly on account of inventory of 31 days and debtors of 36 days in FY2017 as compared to inventory of 23 days and debtors of 63 days in FY2016.

Weaknesses

Declining profitability:

SNGPF's operating margins have declined to 2.33 per cent in FY2017 from 3.21 per cent in FY2016. Further, the net profitability has declined to 0.15 per cent in FY2017 from 0.22 in FY2017. This is on account of fluctuating raw material prices and increase in other costs.

Average financial risk profile

SNGPF has average financial risk profile marked by moderate gearing and coverage indicators. The tangible net worth stood at Rs.5.49 crore as on 31 March 2017 and Rs. 4.78 crore as on 31 March 2016. The firm has gearing of 2.26 times as on 31 March 2017 as against 2.60 times as on 31 March 2016 wherein the total debt mainly comprises working capital borrowings. The Interest coverage ratio (ICR) stood at 1.36 times in FY2017 as against 1.34 times in FY2016.

Highly fragmented industry & Volatility in raw material prices

SNGPF faces intense competition in a highly fragmented textile industry with several organized and unorganized players. 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 to arrive at the rating.

Outlook: Stable

SMERA believes that SNGPF will maintain a stable outlook over medium term on the back of promoter's extensive experience in the industry. The outlook may be revised to positive in case of higher than expected growth in revenues and profitability. Further the outlook may be revised to Negative in case of further decline in revenues and profitability or in case of further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	90.86	67.72	53.34
EBITDA	Rs. Cr.	2.12	2.17	2.13
PAT	Rs. Cr.	0.14	0.15	0.11
EBITDA Margin (%)	(%)	2.33	3.21	4.00
PAT Margin (%)	(%)	0.15	0.22	0.21
ROCE (%)	(%)	10.27	10.52	12.16
Total Debt/Tangible Net Worth	Times	2.26	2.60	2.96
PBDIT/Interest	Times	1.36	1.34	1.37
Total Debt/PBDIT	Times	5.87	5.71	5.72
Gross Current Assets (Days)	Days	68	87	104

Any other information

Not Applicable

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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs .Cr.)	Ratings/Outlook
24 March 2017	Cash Credit	Long Term	11.80	SMERA BB-/ Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.60	SMERA BB-/ Stable (Assigned)

*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	14.00	SMERA BB-/ Stable (Reaffirmed)

				(Enhanced from Rs.11.80 crore)	
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.66 (Enhanced from Rs. 0.60 crore)	SMERA BB-/ Stable (Reaffirmed)

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ABOUT SMERA

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