

Press Release

Shrinath Cotfab

May 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 21.50 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 21.50 crore bank facilities of Shrinath Cotfab. The outlook is '**Stable**'.

Shrinath Cotfab a partnership firm incorporated in the year 2013, is engaged in manufacturing of digital printed terry towels with new technically automated Airjet rapier looms. The promoters of the firm Mr. Amit Chandak and Mr. Mahavirprasad Khandelwal have more than decade of experience in the textile business. The firm has its manufacturing facility located in Solapur with an installed capacity of 6 tons per day of terry towel and is going to run at 80 per cent utilization.

Key Rating Drivers

Strengths

• Experienced Management

The promoters, Mr. Mahavirprasad Khandelwal and Mr. Amit Chandak have over two decades of experience in the textile industry. The firm is a part of Shrinath Group which was established in the year 1972 and is engaged in manufacturing of all types of towels since 1972.

Weaknesses

• Project implementation risk

The firm is setting up a manufacturing unit for digitally printed and plain terry towels. The total project cost is ~Rs. 23.08 cr and would be financed through the term loan of Rs. 15.00 cr, equity share capital of Rs. 1.20 cr and rest through unsecured loans from partners. The commercial operations are expected to commence in October 2017. Thus firm exposes itself to project implementation risk. The timely implementation of the project and generation of adequate net cash accruals will remain as a key rating sensitivity.

• Susceptible to changes in raw material prices

SC's margins will be susceptible to changes in cotton prices. Price of cotton is stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with the suppliers as well. Any adverse movement of cotton prices will further impact the profitability.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of Shrinath Cotfab to arrive at rating.

Outlook: Stable

SMERA believes the outlook on SC's rated facilities will remain stable over the medium term on

account of the company's experienced management. The outlook may be revised to 'Positive' if the company is able to commence the project as schedule and generate adequate net cash accruals. Conversely, the outlook may be revised to 'Negative' if there is a delay in project implementation or inadequate net cash accruals.

About the Rated Entity - Key Financials

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>
- 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>

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	5.00	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4
Term loans	Not Applicable	Not Applicable	31-Mar-2026	15.00	SMERA B / Stable

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