

Press Release

Kakatiya Cotton Industries

August 17, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.30 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 plus**) on the Rs. 8.30 crore bank facilities of Kakatiya Cotton Industries. The outlook is '**Stable**'.

Kakatiya Cotton Industries (KCI) is a Telangana-based partnership firm promoted by Mr Kiran Kr. Thota, Mr. Sravan Kr. Thota, Mrs. Latha Thota and Mrs. Swetha Thota. The firm is engaged in the ginning and pressing of cotton bales since March, 2017 and has an installed capacity of 1.62 lakh quintals of cotton per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Prabhakar Thota (father of Mr. Kiran Kr. Thota) and Mr. Prasad Thota (father of Mr. Sravan Kr. Thota) possess extensive experience in the industry.

- **Proximity to raw material source**

The firm benefits from the proximity of its manufacturing facilities (Kailapur) to raw cotton growing areas.

Weaknesses

- **Limited track record of operations**

The firm was incorporated in 2016 and commenced operations from March 2017.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenue and improves its profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity - Key Financials

For FY2017 (Provisional), KCI reported Profit after Tax (PAT) of Rs.0.03 crore on operating income of Rs.6.50 crore. The net worth stood at Rs.2.50 crore in FY2017 (Provisional).

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.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	4.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.30	SMERA B+ / Stable

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