

Press Release**Sri Mahalaxmi Cotspin Industries**

September 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 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. 7.50 crore bank facilities of Sri Mahalaxmi Cotspin Industries. The outlook is '**Stable**'.

Sri Mahalaxmi Cotspin Industries (SMCI) is a Telangana-based partnership firm engaged in cotton ginning and pressing. Established in March, 2016, the firm is led by Mr. Katkuri Nagabhusanam, Mr. Lahoti Nand Kishore, Mr. Gopishetty Venugopal and Mr. Thatikonda Kaushik who have extensive experience in the textile industry. The operations commenced from November, 2016. The firm has 26 ginning machines with installed capacity of 250 bales per day.

Key Rating Drivers**Strengths**

- **Experienced management**

The partners have extensive experience in the cotton ginning and pressing business.

- **Proximity to raw materials and locational advantage**

The ginning unit is located in Warangal (Telangana), known as one of the major cotton producing belts of India. This ensures easy access to raw material.

Weaknesses

- **Nascent stage of operations**

The firm has limited track record of 10 months since operations commenced in November 2016. The firm clocked revenue of ~Rs 30 crore (Provisional).

- **Volatility in raw material prices**

Cotton prices are regulated by the government through MSP (Minimum Support Price). However, the purchase and selling price depends on the prevailing demand-supply situation restricting its bargaining power with suppliers and customers. Adverse movements in cotton prices further impact profitability.

- **Highly fragmented cotton ginning industry**

The firm operates in a highly fragmented industry with several organised and unorganised players which may affect profitability.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of SMCI.

Outlook: Stable

SMERA believes that SMCI will maintain a stable outlook over the medium term owing to its

experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations, profit margins and achieves efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations, profitability, capital structure or lengthening of working capital cycle.

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>
- 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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B+ / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.70	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA B+ / Stable

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ABOUT SMERA

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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.

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