

Press Release

Dhansmruti Ginning and Allied Industries Private Limited

21 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.25.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 25.00 crore bank facility of 'DHANSMRUTI GINNING AND ALLIED INDUSTRIES PRIVATE LIMITED' (DGA IPL). The outlook is '**Stable**'.

DGA IPL, a Pune-based company incorporated in 2016 is engaged in the ginning and pressing of raw cotton. The company, promoted by Directors, Mr. Vishal Magar, Mr. Sanjay Narayan and Mr. Narayan Deshmukh has installed capacity of 42,000 cotton bales per annum. The capacity for cotton seed extraction is 13,900 tons per annum.

List of key rating drivers and their detailed description

Strengths:

Experienced management

The Director, Mr. Narayan Tate Deshmukh possesses more than two decades of experience in the agriculture sector. SMERA believes that the company will benefit from its experienced management.

Proximity to raw materials

The company benefits from the easy availability of raw material and labour as the facility is in close proximity to Solapur district which has a flourishing textile industry. SMERA believes that this enables DGA IPL to procure raw cotton directly from local farmers, thus making it cost effective.

Weaknesses

Nascent stage of operations

DGA IPL was incorporated in 2016 and commenced operations in September 2017. From 01 April, 2017 to 28 February, 2018, the company registered revenue of around Rs. 17 crore. SMERA believes that the ability of the company to scale up operations along with net cash accruals will be crucial in maintaining a stable credit risk profile.

Highly competitive industry

The company is exposed to intense competition in the fragmented textile industry from a large number of organised and unorganised players, affecting margins.

Volatility in raw material prices, unfavourable regulations

Prices of raw cotton are fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which further restricts the company's bargaining power with suppliers. Adverse movements in cotton prices can impact profitability. The company is also exposed to unfavourable changes in regulations.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Dhansmruti Ginning and Allied Industries Private Limited.

Outlook – Stable

SMERA believes that DGA IPL will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve expected revenues.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.19	0.00	0.00
EBITDA	Rs. Cr.	0.52	0.00	0.00
PAT	Rs. Cr.	0.07	0.00	0.00
EBITDA Margin (%)	(%)	16.39	0.00	0.00
PAT Margin (%)	(%)	2.24	0.00	0.00
ROCE (%)	(%)	3.36	0.00	0.00
Total Debt/Tangible Net Worth	Times	146.44	0.00	0.00
PBDIT/Interest	Times	1233.22	0.00	0.00
Total Debt/PBDIT	Times	22.70	0.00	0.00
Gross Current Assets (Days)	Days	56	0	0

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Application of 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>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the 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. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.95	SMERA B+/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA B+/ Stable
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	5.05	SMERA B+/ Stable

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ABOUT SMERA

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