

Press Release

Patodia Ginning Factory

06 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as SMERA BB) on the Rs. 20.00 crore bank facilities of Patodia Ginning Factory. The outlook is '**Stable**'.

Patodia Ginning Factory (PGF), established in the year 2003 by Mr. Mahesh Kumar Patodia (Karta-HUF) located in Malegaon, Maharashtra. The firm is primarily engaged in ginning and oil extraction. The management has more than 25 years of experience in the field of cotton ginning.

Key Rating Drivers

Strengths

- **Experienced management**

PGF was incorporated in 2003. The HUF-Karta, Mr. Mahesh Kumar Patodia have more than two decades of experience in the cotton ginning industry. Further, the members of HUF are also well experienced in the industry.

- **Moderate working capital management**

The firm's GCA stood at around 57 days in FY2017 as against 114 days in FY2016. This is mainly on account of debtor of 34 days in FY2017 as against 72 days in FY2016. Further, the cash credit utilization is ~95.93 percent in the past six months ended 31 January, 2018.

- **Average financial risk profile**

The Debt-equity ratio of PGF is 1.91 times as on 31 March, 2017 as against 1.79 times as on 31 March, 2017. The ICR (interest coverage) is 1.56 times in FY2017 as against 1.63 times in FY2016. The tangible networth is moderate at Rs 8.96 crore as on 31 March 17 as compared to Rs 8.25 crore as on 31 March, 2016.

Weaknesses

- **Low profitability**

PGF's EBITDA margin in an uneven trend. The EBITDA margins deteriorated to 2.01 percent in FY2017 to 4.58 per cent in FY2016 and 4.30 per cent in FY2015. The PAT margins stood at 0.47 per cent in 2017 as against 0.98 per cent in 2016 and 0.81 percent in FY2015.

- **Volatility in raw material prices and Agro climatic risk**

The rating continue to be constrained by agro climatic risks as raw materials - raw cotton is a seasonal crop and production is highly dependent upon the monsoon. The firm is also exposed to fluctuations in raw material prices of cotton.

- **Intense competition**

The company operates in a highly competitive industry with low entry barriers resulting in intense competition from organised as well as unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Patodia Ginning Factory to arrive at the rating.

Outlook: Stable

SMERA believes that PGF will continue to benefit over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if the company reports significant and sustainable growth in revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of a decline in PGF's revenue or profitability, resulting in deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	145.52	63.71	75.08
EBITDA	Rs. Cr.	2.93	2.92	3.23
PAT	Rs. Cr.	0.68	0.62	0.61
EBITDA Margin	(%)	2.01	4.58	4.30
PAT Margin	(%)	0.47	0.98	0.81
ROCE	(%)	10.96	11.22	26.04
Total Debt/Tangible Net Worth	Times	1.91	1.79	1.93
PBDIT/Interest	Times	1.56	1.63	1.57
Total Debt/PBDIT	Times	5.54	4.97	4.20
Gross Current Assets (Days)	Days	57	114	86

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

Not Applicable

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BB / Stable

Contacts

Analytical	Rating Desk
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