

Press Release

Patodia Weaving Mills Private Limited

06 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.53 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. 6.53 crore bank facilities of Patodia Weaving Mills Private Limited. The outlook is '**Stable**'.

Maharashtra based Patodia Weaving Mills Private Limited (PWMPL) was incorporated in the year 2013 by Mahesh Kumar Patodia and family. It is engaged in the manufacturing of Jute Cloth and Jute Bags.

Key Rating Drivers

Strengths

- **Long track of operations and experienced Management**

PWMPL was incorporated in the year 2013. Promoters of the company Mr. Mahesh Kumar Patodia and family have more than two decade experience in the textile industry. SMERA believes that long track record of operations coupled with experienced management will benefit the company over the medium term.

- **Revenue Growth Y-o-Y**

PWMPL witnessed healthy growth in revenues in FY2017 to Rs. 12.60 crore as against Rs. 0.69 crore in FY2016 and Rs. 0.11 crore in FY2015.

Weaknesses

- **Average financial risk**

PWMPL has a moderate financial risk profile marked by net worth of Rs. 6.06 crore as on March 31, 2017 as against Rs. 4.92 crore as on March 31, 2016, comprising mainly unsecured loans of Rs. 6.04 crore which is treated as quasi equity. Debt-equity ratio stood at 0.11 times and 0.19 times as on March 31, 2017 and March 31, 2016 respectively. ICR (Interest Coverage Ratio) and DSCR (Debt Service Coverage Ratio) stood at 1.41 times and 1.39 times respectively for FY2017.

- **Initial stage of operations**

The company is in the initial year of its operations with low level of sales in FY2016 and FY2017 at Rs. 0.69 crore and Rs. 12.60 crore respectively.

- **Susceptibility of margins to volatility in raw material prices**

The major raw material of the company is Jute yarn which is 100% imported from Bangladesh. The prices of the same are fluctuating in nature. Therefore the operating profit margins of the company are susceptible to raw material price fluctuations.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Patodia Weaving Mills Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that PWMPL will maintain a stable outlook and continue to benefit over the medium term

from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining its operating profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue and margins or deterioration of the financial risk profile.

About the Rated Entity - Key Financials

	Unit
Operating Income	Rs. Cr.
EBITDA	Rs. Cr.
PAT	Rs. Cr.
EBITDA Margin	(%)
PAT Margin	(%)
ROCE	(%)
Total Debt/Tangible Net Worth	Times
PBDIT/Interest	Times
Total Debt/PBDIT	Times
Gross Current Assets (Days)	Days

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	5.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.47	SMERA B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.06	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
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